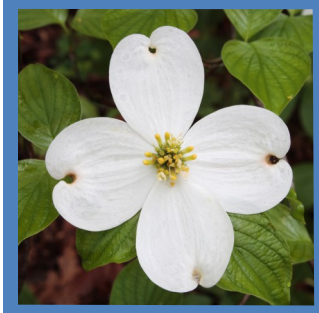

VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2020

Auditor of Public Accounts
Staci A. Henshaw, CPA
www.apa.virginia.gov
(804) 225-3350

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, 2020, and issued our report thereon, dated August 25, 2021. Our report, included in the System's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the System's website at 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.

Additionally, our testing of the System for the year ended June 30, 2020 also included testing for the federal programs of the Education Stabilization Fund and the Workforce Innovation and Opportunity Act (WIOA) cluster as major programs and certain federally required audit finding follow-up procedures for the Commonwealth's Single Audit and testing of federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs for accreditation purposes at the following colleges:

- Danville Community College – Student Financial Assistance;
- Northern Virginia Community College – Education Stabilization Fund, WIOA cluster, and audit finding follow-up;
- Paul D. Camp Community College – audit finding follow-up;
- Southwest Virginia Community College – Student Financial Assistance;
- Thomas Nelson Community College – Student Financial Assistance;
- Tidewater Community College – Education Stabilization Fund and audit finding follow-up; and
- Wytheville 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 WIOA cluster and Student Financial Assistance. These internal control and compliance findings and recommendations all have the topic of "Workforce Innovation and Opportunity Act - Single Audit" or "Student Financial Assistance - Accreditation" 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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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 25, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

State Board for Community Colleges
Virginia Community College System

TRANSMITTAL LETTER

For fiscal year 2020, we audited the financial statements of the **Virginia Community College System** (System). We also audited the Education Stabilization Fund and the Workforce Innovation and Opportunity Act (WIOA) cluster and performed audit finding follow-up 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 nine 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 73 management recommendations in this report and grouped the recommendations into eight topical areas. While the 73 recommendations are more than last year's 33 recommendations, this year's audit required us to perform more testing because of the inclusion of the WIOA cluster for the Commonwealth's Single Audit and federal Student Financial Assistance for accreditation, which collectively resulted in 36 recommendations. For this reason, and the fact that we do not issue an opinion on internal controls, and annually we 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 some of the 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 access control or human resources and payroll. If we found that a college was having interdepartmental challenges with terminating employee access, we assigned the recommendation the topic of human resources and payroll. Otherwise, the recommendation was assigned the topic of access control.

The topics identified above are not the only areas where we offered recommendations, as we also reported multiple recommendations in the areas of information system security (7), capital assets (6), financial accounting and reporting (5), 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 the System Office, Shared Services, and the individual colleges who responded to our requests and provided us the information needed to meet our audit objectives during this challenging time.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

GDS/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:

- Northern Virginia Community College (Northern Virginia)
- Tidewater Community College (Tidewater)
- Virginia Western Community College (Virginia Western)
- Thomas Nelson Community College (Thomas Nelson)
- Southside Virginia Community College (Southside Virginia)
- Danville Community College (Danville)
- Southwest Virginia Community College (Southwest Virginia)
- Mountain Empire Community College (Mountain Empire)
- Wytheville Community College (Wytheville)

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 2015-2019 findings that we did not consider resolved prior to 2020. 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

2020-01: <u>Monitor Statewide WIOA Grant Program According to Policy</u>
Topic: Workforce Innovation and Opportunity Act (WIOA) - Single Audit
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No
CFDA or Cluster Title and CFDA #: WIOA Cluster - 17.258, 17.259, 17.278
Federal Award Number and Year: AA332601955A51 - 2020
Name of Federal Agency: U.S. Department of Labor
Type of Compliance Requirement - Criteria: Activities Allowed or Unallowed - 2 C.F.R. § 200.303(a)
Known Questioned Costs: $0

The Compliance Monitoring Team, which is part of the System's WIOA Administration and Compliance Department, did not monitor one of its statewide WIOA grant programs in accordance with its policy. The System used $3.4 million (or eight percent) of its WIOA Cluster funds for this statewide

WIOA grant program to allow colleges to reconfigure college curricula, which is an allowable expense for the WIOA Cluster.

The WIOA Administration and Compliance Department's monitoring policy requires the Compliance Monitoring Team to monitor each grant program at least once within the performance period. Further, Title 2 of the United States Code of Federal Regulations (C.F.R.) §200.303(a) states that the non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Compliance Monitoring Team was not able to monitor this statewide WIOA grant program within the performance period because of staffing and workload challenges. Not performing monitoring reviews prevents the WIOA Administration and Compliance Department from obtaining the assurance it needs to confirm that the System is managing the program in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

The Compliance Monitoring Team has implemented monitoring tools for this statewide WIOA program and intends to monitor it before the end of the next performance period. WIOA Administration and Compliance Department leadership should oversee the efforts of the Compliance Monitoring Team to ensure it has the necessary resources to maintain effective internal controls over federal awards.

2020-02: <u>Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition</u>
Topic: Financial Accounting and Reporting
Type: Internal Control
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2019 as 2019-01)
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 45,000 dual-enrolled students, which is 21% of the System's 215,000 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 similar activity is reported inconsistently across the System, 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 the dual enrollment activity is consistently accounted for in the financial statements and 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.

2020-03: <u>Address Inconsistencies in Employee Personnel Records</u>
Topic: Human Resources and Payroll
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Personnel records for the system contain information that is not consistent with other official records and/or policies. These inconsistencies provide evidence that data integrity errors exist within the System's human resources system. We identified the following inconsistencies that we have grouped as system-wide or isolated:

System-wide Inconsistencies:

- For 325 out of 4,877 (7%) of the salaried employees reviewed, the respective human resources office recorded a different start date in the System's human resource system as compared to their start date in the Commonwealth's human resource system. For evaluation purposes, we only reported differences greater than 180 days (six months). The start date impacts the years of service calculation that affects the leave accruals and leave payouts for which these employees are eligible. These employees are spread across all the colleges and entities that fall under the System.

Isolated Inconsistencies:

- For one employee, data entry errors resulted in an employee accumulating a balance of 263,408 disability credits, which represents 2,195 years of sick leave accruals. Traditional sick leave hours, which were accrued at 120 hours per year, should have been converted into disability credits on a one-for-one basis for employees who opted into the Virginia Sickness and Disability Program. While human resources personnel were able to identify an error in the employee's record that potentially caused approximately 35 percent of this balance, the rest remains unexplained.

- For one employee, data entry errors resulted in a sick leave balance of 49,660 hours, which represents 517 years' worth of accruals, as of June 2020. During fiscal year 2020, the System's human resources system accrued 6,840 hours of sick leave for this employee, 71 times the accrual amount per the System's policy. While human resources personnel were able to identify an error in the employee's record that potentially caused approximately 40 percent of this balance, they were not able to explain the remaining inconsistencies.

- For two employees that retired in May 2020, their retirements were not recorded in the System's human resources system until July 2020 and May 2021. These employees continued to accrue leave until they were recorded as retired in the System's human resources system; however, the accrued leave was not paid out.

The System's Faculty Leave Policy (3.90) and the Department of Human Resource Management's (DHRM) leave policies define the leave amounts employees should accrue or that employees are eligible to be paid out if they terminate employment. According to DHRM Policy 4.10 – Service Credit, state service for benefit purposes should include all periods of salaried state service, excluding periods of leave without pay and breaks in service. Some of the leave accrual amounts and leave payout amounts depend upon the employee's years of service.

With inconsistent information on an employee's years of service, employees may be accruing or receive payment for more or less than the full amount of leave for which they are entitled. System-wide data integrity issues in the human resources system can also result in financial misstatements in the System's financial statements.

Employees with periods of prior state service, breaks in salaried state service, or periods of state service that were not benefits-eligible require human resources staff to calculate the appropriate start date to record in the human resources system. These inconsistencies were generally caused by incorrect calculations or human resources not recognizing that the situation required the employee's start date to be modified. Further, human resources supervisors do not have a review process in place to identify these inconsistencies.

To address these and other potential inconsistencies, the System should perform its own analysis of its personnel records to identify and correct personnel records that are not consistent with other sources and/or policies. Additionally, the System should review its processes for setting up or updating employee personnel records to ensure adequate reviews and reconciliations are in place to proactively identify errors going forward. Finally, the System should ensure all staff entering data into the human resources systems have adequate training and resources available on properly setting up and maintaining employee personnel records.

2020-04: <u>Continue to Develop Reference Tools for the Student System</u>
Topic: Access Control
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Status Update (first issued for fiscal year 2019 as 2019-04)
Prior Title: Develop Reference Tools for the Student System

While the System Office has developed a reference tool for the student system in response to the prior year recommendation, the role reference guide was not effective until fiscal year 2021. As a result of timing differences between the System Office's implementation of its corrective actions to address the items in the prior audit finding titled "Develop Reference Tools for the Student System," we are deferring evaluating if the corrective actions of the System Office achieved the desired results, as required by the System's adopted information security standard, based on the International Standards Organization (ISO) 27002:2013, (System's Security Standard), Sections 6.1.2 – Segregation of duties and 9.2.3 – Management of privileged access rights.

2020-05: Develop 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)
Prior Title: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

In response to a recommendation for fiscal year 2019, the Controller for the System developed policies and procedures regarding the gathering and review of system and organization controls (SOC) reports or similar reports from vendors deemed significant to accounting operations to ensure related complimentary controls of the System or college are appropriate. Additionally, the Controller provided the written procedures to each Vice President of Finance and instructed them to maintain evidence of the review of SOC reports and any necessary complimentary controls. As these policies and procedures were not effective until fiscal year 2021, evaluating if the corrective actions achieved the desired results will be deferred until a later financial audit of the System.

2020-06: Ensure Inter-Agency Capital Asset Transfers are Accurately Reported

Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: Status Update (first issued for fiscal year 2019 as 2019-03)
Prior Title: Accurately Report Intra-Commonwealth Transfers of Capital Assets

System Office Fiscal Services developed procedures to monitor State and Non-State capital asset transfers to ensure the accurate and timely recording of transfers, gifts, and any future acquisitions throughout the fiscal year. System Office Fiscal Services updated the year-end financial statement checklist to notify the Plant Funds Accounting Manager of any State or Non-State capital asset transfers. Additionally, System Office Fiscal Services updated the capital assets policy manual to include a section titled “Transfer of Assets from Other Agency.” As these policies and procedures are effective for fiscal year 2021, evaluating if the corrective actions of the System Office achieved the desired results of the System in meeting the requirements of Governmental Accounting Standards Board Statement No. 48 and the Department of Accounts’ Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic Number 30205 will be deferred until a later financial audit of the System.

2020-07: Continue Improving Operating System Security
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2019 as 2019-06)
Prior Title: Improve Operating System Security

To address weaknesses, the System Office continues to improve critical security controls for the operating system supporting a sensitive system. The System Office corrected two out of the five prior year weaknesses that are either required by the System Office's information security policy, the operating system's hardening guide, or recommended by the Center for Internet Security benchmarks.

We communicated the control weaknesses to management in a separate document marked Freedom of Information Act Exempt under § 2.2-3705.2 of the Code of Virginia as it contains descriptions of security mechanisms used to configure the operating system. Use of inadequate security controls increases the risk that the System Office cannot prevent, detect, or mitigate security incidents involving the operating system in a timely manner. The System Office expects to complete addressing the remaining three weaknesses by October 2021.

2020-08: Perform Certifications for Commonwealth's Retirement Benefits System
Topic: Human Resources and Payroll
Type: Internal Control
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2016)
Prior Title: Perform Retirement System Pre-Reconciliations

The System Office did not perform and document pre-certification reconciliations between the Commonwealth's human resource system and the Commonwealth's retirement benefits system and did not retain documentation of post-certifications being completed.

CAPP Manual Topic 50410 states that reconciliations between the Commonwealth's retirement benefits system and its human resource system should be performed monthly. These reconciliations should occur before submitting a contribution confirmation of benefits and after receiving the billing file from the Virginia Retirement System (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 go uncorrected, as in the case of a new employee who did not receive a paycheck for over seven weeks and another employee who received a pay increase that was not reflected in their paycheck for six months. These errors could 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 reconciliation's completion.

Due to Improper training, turnover of human resource employees, and a lack of policies and procedures, the employees responsible for the reconciliations were unaware of the requirements and expectations. The System Office should develop and implement policies and procedures related to the performance and documentation of the reconciliation between the Commonwealth's human resource system and the Commonwealth's retirement benefits system. Management should ensure that these procedures include the reconciliation of employee personnel data and creditable compensation, and a review of canceled records reports and automated reconciliation reports.

2020-09: Improve Controls Over Access to Human Resource System
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The System Office did not perform the annual user access review over the Commonwealth's human resource system and did not remove system access timely for terminated employees. The System's Security Standard, Section 9.2.5 - Review of user access rights, states users' access rights will be reviewed at regular intervals; at least annually; and after any changes, such as promotion, demotion, or termination of employment. Additionally, the System's Security Standard, Section 9.2.6 - Removal or adjustment of access rights, states the following:

> *Access must be removed immediately for an employee involuntary termination, for individuals with permissions for systems with sensitive and/or confidential information, or individuals that serve in positions that provide "super' access (such as security administrators). All other access should be removed within 5 business days. The entire process is measured from the initial date of the employee notification or termination.*

By not regularly reviewing access for appropriateness or inactivity, the System Office allowed three terminated employees, who also had access to the Commonwealth's human resource system, to retain their access that was not appropriate given their terminated status and violated the principle of least privilege. Furthermore, by not removing access timely for terminated employees, the System Office may inadvertently allow additional unauthorized access to sensitive systems and information.

The System Office experienced turnover in both human resources management and staff. Staff were not aware of the requirements to review access to all systems at least annually. Additionally, the System Office has not developed and implemented written policies and procedures for the review of employee access. The System Office should develop and implement procedures for monitoring and reviewing system access as required and remove access timely that is no longer required.

2020-10: Continue to Improve Procedures for Employee Separation
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Partial Repeat (first issued for fiscal year 2016)
Prior Title: Improve Procedures for Employee Separation

The System Office is not consistently collecting agency property or deactivating system access in a timely manner for terminated employees. The System Office did not document the collection of property for two out of seven (29%) terminated employees tested and did not remove system access for one out of seven (14%) in a timely manner.

As a result of the 2016 audit, we noted that the System Office did not have a checklist for terminating employees to ensure they were removed from human resources and payroll systems, and they returned all cards, keys, and other Commonwealth property. The System Office developed and implemented a termination checklist that is required to be used in every termination to facilitate this process.

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

By not removing access in a timely manner or retaining documentation supporting the return of Commonwealth property, the System Office is increasing the risk that terminated employees may retain unauthorized access to state systems and physical access to Commonwealth property. One of the terminated employees left System Office employment in March of 2020, during the COVID-19 pandemic restrictions, making it challenging for the checklist to be completed as employees were working remotely. For the other employee, the System Office did not have an explanation as to why it did not complete the checklist or remove the employee's access. Management should communicate the importance of the termination checklist and following procedures when terminating employees to ensure the timely removal of system access to Commonwealth systems and to ensure the proper return of all Commonwealth property.

2020-11: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The System Office does not consider certain required elements of risk to its information technology (IT) environment within the System's risk assessments of the student system and network.

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 regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires the System to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the System's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements required by the GLBA, the System Office may not be able to ensure the security and confidentiality of customer information. Additionally, the System Office may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer. The System Office was unaware of the GLBA requirements, causing them to not assess and document certain risk elements that may impact its IT environment and related safeguards.

The System Office should include all elements in its risk assessment process as required by GLBA and document those risks that may impact the IT environment. As part of the risk assessment process, the System Office should identify controls and safeguards that are either in place or need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, the System Office should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist the System Office in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

SHARED SERVICES CENTER

2020-12: Ensure System Access is Granted in Accordance with the Principle of Least Privilege
Topic: Access Control
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Shared Services granted a user access to both the payroll and the human resource systems that was not in accordance with the principle of least privilege and created a segregation of duties conflict. The System's Security Standard, Section 9.2.3 – Management of privileged access rights, states that privileges will be allocated to users on a need-to-use basis and on an event-by-event basis, based on the minimum requirements for staff's functional roles.

Granting excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data. When access granted violates the principle of least privilege and creates segregation of duties conflicts, there is an increased risk that users will exploit the weakness and perform unauthorized transactions.

Shared Services granted the access in question when the employee became involved in a project that required additional functionality; however, Shared Services did not determine the minimum access roles necessary for the employee or, if needed, implement compensating controls. As a result, Shared Services granted access to roles in the human resources system and payroll system that created segregation of duties conflicts.

When granting user access, Shared Services should ensure the access is in accordance with the principle of least privilege and maintains proper segregation of duties. If violating the principle of least privilege and combining incompatible duties is unavoidable, then Shared Services should document and seek approval for the exception and document and implement compensating controls, as necessary.

2020-13: Improve the Effectiveness of the Annual Systems Access Certification
Topic: Access Control
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

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. While Shared Services completed access certifications for its accounting information and human resources systems within the timeframe specified in its corrective action plan, Shared Services should continue to improve its the access certification process to ensure a timely and effective access certification. The following issues were noted with the access certification that Shared Services began in April of 2020:

- The access certification, which is an annual requirement, took 12 months between kick-off and certification. While this does technically satisfy the once per year minimum required for access reviews, access reviews are performed using access as of a point in time. Failure to perform the access review timely can result in managers certifying access that is not current.

- Help desk tickets submitted to remove user access from the human resources system that was identified as no longer necessary during the access review were closed but the access was not removed. This issue was not identified during the access certification, which should have included a post-certification review to ensure requested changes to user access were performed.

- The Segregation of Duties - Exception Request forms submitted for the accounting system were submitted after fiscal year 2020. By not documenting exceptions and submitting these forms within the related fiscal year, the risk of user roles posing a potential segregation of duties issue will not be properly monitored during the affected period.

The System's Security Standard, Section 9.2.5 - Review of user access rights, requires that management review users access rights at least annually. Section 9.4.1, Information Access Restriction, requires user access to adhere to the principle of least privilege, allowing users to only have the least access necessary to fulfill their job responsibilities. Further, Section 9.2.6 - Removal or adjustment of access rights, requires termination of access when the requirement for such access no longer exists.

Access certifications are intended to ensure access to agency systems are 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.

The Security Administrator role would generally be responsible for facilitating the annual access certification; however, Shared Services did not have a designated Security Administrator during fiscal year 2020. As a result, it relied on the System's Information Security Shared Services (ISSS) staff and Shared Services' Shared Information Security Officer to complete its certification. The ISSS staff were also responsible for their general job duties in addition to facilitating Shared Services' access certification, which contributed to the delay in completing of the access certification. Shared Services should ensure that it has the appropriate resources and processes in place to certify user access in a timely and effective manner.

2020-14: Continue to Improve Information Available to Community Colleges Related to Prepayments

Topic: Financial Accounting and Reporting
Type: Internal Control
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2019 as 2019-02)
Prior Title: Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting

Shared Services has not added the necessary fields nor created a report to capture all prepayment information needed for financial reporting. During fiscal year 2021, Shared Services worked with its document management system vendor to ensure the proper capture of information for purchase order and non-purchase order vouchers. Currently, the report does not have prepayment type and coverage period fields for non-purchase orders vouchers. As a result, Shared Services is not able to produce a complete report for all prepayments.

In accordance with generally accepted accounting principles, accrual accounting requires expenditures to be charged 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. Additionally, inability to capture complete information from the system limits the usability of this information.

The delay in properly capturing the information needed for financial reporting is due to Shared Services' vendor requesting that Shared Services refrain from submitting new change requests for the document management system until all open change requests had been closed. The additional fields for non-purchase order vouchers were delayed further while waiting for the vendor to perform a system upgrade on the documentation management system. Following these higher priority actions, as of March 2021 Shared Services has not requested the vendor to add these additional fields.

When appropriate, Shared Services should ensure the document management system captures the information needed for financial reporting related to non-purchase order vouchers. Additionally, Shared Services should work to ensure the document management system is able to produce adequate, complete, and accurate information on prepayments.

NORTHERN VIRGINIA COMMUNITY COLLEGE

2020-15: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

Topic: Procurement/Contract Management
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2019 as 2019-13)
Prior Title: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

Northern Virginia is not consistently reviewing its third-party service providers' SOC reports, including subservice organizations to ensure it has implemented effective complementary user entity controls (CUECs). Northern Virginia did not obtain a SOC report over the provider's IT controls for the collection of parking revenues that are relevant to Northern Virginia's financial reporting. This type of report is known as a SOC 1 report. Northern Virginia reported $3.9 million in parking revenues for fiscal year 2020. While Northern Virginia obtained and reviewed the 2020 SOC report for the provider that maintains its Perkins Loan database and handles all billing for Perkins Loans, which had a $1.8 million balance at year end, Northern Virginia did not obtain the SOC report for the subservice organization that manages the IT services for the provider.

The System's Security Standard, Section 15.2.1 – Monitoring and review of third-party service, states that in the case of outsourcing, the System Office and colleges need to be aware that the ultimate responsibility for information processed by an outsourcing party remains with the System or the college. Additionally, the System's Security Standard defines the actions, which includes establishment of regular reviews of third-party servicer reports, the System or the colleges will take to ensure that third parties comply with the security controls defined within the agreement. Additionally, CAPP Manual Topic 10305 requires agencies to have adequate interaction with third-party 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 comprehensive policies and procedures over SOC report reviews, Northern Virginia is unable to ensure that their CUECs are sufficient to support their reliance on the design, implementation, and operating effectiveness of the providers' controls and address any internal control deficiencies and/or exceptions noted in the report. Northern Virginia does not have any policies and procedures related to SOC reports or complementary controls, which is why it only obtained SOC reports from one of its providers and no SOC reports for subservice organizations.

Northern Virginia should create and implement policies and procedures that comply with the requirements outlined in the System's Security Standard and the CAPP Manual. At a minimum, the policies and procedures should require SOC report reviews of providers and their subservice organizations, which document the conclusions and actions taken as result of the contents of the SOC

report. Additionally, these policies and procedures should include documentation requirements for CUECs, the steps needed to address internal control deficiencies and/or exceptions found in reviews, and responsible staff for corrective actions necessary to mitigate the risk to the Commonwealth until the provider corrects the deficiency.

2020-16: <u>Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees</u>

Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2019 as 2019-11)
Prior Title: Continue to Improve and Implement Effective Exit Procedures for Employees

Northern Virginia did not consistently deactivate system access in a timely manner for part-time employees that terminated employment with the college. Of the 21 terminated part-time employees tested, deficiencies were noted with 14 (67%) as follows:

- six wage employees (29%) had system access removed 14 to 273 days after termination date; and

- eight adjunct employees (38%) had system access removed 133 to 800 days after not working three consecutive semesters.

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 include: 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 community 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 the colleges to inappropriate activity by individuals no longer employed by the institution. According to management, communication between supervisors of several departments to human resources appears to be a challenge for those part-time employees who terminate without notification, which results in a lack of timely notification of terminations to human resources.

Northern Virginia management should strengthen communications between department supervisors and human resources to ensure system access for terminated part-time employees is deactivated timely in accordance with the System's Security Standard.

2020-17: <u>Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets</u>

Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: Status Update (first issued for fiscal year 2017 as 2017-45, again for fiscal year 2018 as 2018-36, and for fiscal year 2019 as 2019-12)
Prior Title: Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets

Northern Virginia implemented new policies and procedures over capital assets in January 2020 in response to prior management recommendations. Northern Virginia was scheduled to begin the full inventory between February through April 2020 under the new policies and procedures; however, the inventory was delayed as a result of the COVID-19 pandemic that began in March 2020. Due to limited on-site work to protect the health and safety of staff, Northern Virginia did not begin inventory until June 2020. As a result, evaluating if the corrective actions of Northern Virginia achieved the desired results, as required by the policy statement in CAPP Manual Topic 10205, will be deferred until the next financial audit of the System.

TIDEWATER COMMUNITY COLLEGE

2020-18: **<u>Strengthen Communication and Procedures Related to Terminated Employees</u>**

Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2018 as 2018-60 and again for fiscal year 2019 as 2019-14)
Prior Title: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees

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

- For four out of 25 employees tested (20%), Tidewater did not remove access timely, with removal dates ranging from 15 to 27 business days after termination.

- For one out of 25 employees tested, Tidewater did not retain documentation regarding when the employee's access was removed after termination.

- For the one terminated employee that also had access to the Commonwealth's financial reporting system, Tidewater did not have the access removed until 23 business days after termination.

The System's Security Standard, Section 9.2.6 – Removal or adjustment of access rights, states 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 procedures, established by 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 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. Tidewater's IT department was not notified timely of the employees' termination, causing delays in removing employees' system access after their terminations.

Tidewater should continue to strengthen communications between supervisors, human resources, and IT departments so that the employee separation forms are completed timely and all access is removed timely. Management has already taken some action by sending an agency-wide communication to supervisors about submitting termination forms timely and has added a responsibility to supervisor job descriptions for supervisors to ensure that the employee termination information is submitted 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 maintain documentation showing access is removed timely for terminated employees.

2020-19: **Locate Equipment and Assign a Responsible Party**
Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Tidewater's office of information systems is in the process of locating, and, as needed, tagging $1,430,393 of audio/visual equipment assigned to it in the fall 2018 when another department was dissolved. At the time of our audit, the equipment in question was approximately 27% of the value of inventory for the office of information systems. Additionally, for two departments, the machining department, and the regional automotive department, out of the 23 (9%) departments tested, Tidewater management, despite repeated requests by the Fixed Asset Manager, was not able to compel an employee to sign-off as the responsible party for the inventory.

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 Assets Policies and Procedures Manual (Revised February 2015) 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 Fixed Asset Manager should then review the Physical Inventory

Discrepancy Forms to ensure all inventory is properly recorded in the accounting system. Insufficient tracking of Tidewater's fixed assets increases the risk of misappropriation of Commonwealth property, may contribute to the inclusion of inaccurate information in the fixed asset system, and cause misstatements in the financial statements.

According to the responsible party for the audio/visual equipment in question, the items are large and mounted on walls, such that tags are hidden or missing. Instead of using other identifying characteristics (i.e., descriptions and locations) to verify the existence of the assets, the office of information systems left the inventory checklist blank and did not indicate that it identified untagged assets with the same description and location.

The office of information systems should expedite locating and, as necessary, tagging or disposing of the inventory that is now its responsibility. Additionally, Tidewater management should determine why no employee is willing to sign-off as the responsible party for the inventory assigned to the machining department and the regional automotive department and take the necessary actions to ensure assignment of a responsible party that can be held accountable for the inventory.

2020-20: **Develop a Contingency Plan to Maintain Proper Separation of Duties**
Topic: Financial Accounting and Reporting
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

The Interim Vice President for Finance signed off as both the "agency head designee" and as the "fiscal officer" on the year-end Certification of Agency Reconciliation to Commonwealth's accounting and financial reporting system (certification). For proper separation of duties, the certification form contains areas for two separate signatures. One area is to be completed by the Agency Head or designee, and the other by the Fiscal Officer or designee. To reinforce separation of duties, the instructions for the form states:

> *In the event that either the agency head or fiscal officer must delegate his/her signatory authority, then Statement B.1-Delegation of Signatory Authority Form must be completed. This form is separated into two parts - one for agency head delegation and one for fiscal officer delegation. Please note that the agency head may not delegate his/her signatory authority to the fiscal officer. In addition, the fiscal officer should only delegate his/her signatory authority to an appropriate higher-ranking official. If the fiscal officer delegates his/her signatory authority to a lower-ranking official, the agency must complete the explanation for this delegation. The agency head must approve all delegations of authority, and if applicable, the justification for the lower-ranking delegation.*

The certification verifies that Tidewater's financial records are accurate, have been reconciled, and agree to the Commonwealth's accounting and financial reporting system. Improper separation of duties in this certification could allow errors to flow into the Commonwealth's accounting and financial reporting system without detection.

The Vice President of Finance, who would have normally signed the certification as the designee for the agency head, retired prior to the certification's due date, and the Fiscal Officer became the Interim Vice President of Finance. The breakdown in proper separation of duties was the result of the timing between the retirement of the prior Vice President of Finance and the Fiscal Officer assuming the new role without identifying an alternative designee. Should Tidewater or another college find themselves in a similar situation, management should develop a contingency plan to identify an appropriate alternative designee to maintain proper separation of duties.

2020-21: **Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act**
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Tidewater does not consider certain required elements of risk to its IT environment within its risk assessment of the student system. 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 GLBA. Related regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires each college to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the college's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements required by the GLBA for the college, Tidewater may not be able to ensure the security and confidentiality of customer information. Additionally, Tidewater may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer.

Tidewater did not perform a risk assessment process from a college specific perspective and instead revised the System Office's student system risk assessment based on potential risks that could impact the college. This approach caused Tidewater to not consider certain risks that may impact its IT

environment and safeguards that are either in place or that need to be implemented to mitigate those risks, respectively.

Tidewater should perform and document a college specific risk assessment that evaluates all elements of 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 need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, Tidewater should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist Tidewater in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

VIRGINIA WESTERN COMMUNITY COLLEGE

2020-22: <u>Improve Capital Asset Inventory and Tracking</u>
Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2016)
Prior Title: Improve Fixed Asset Inventory Oversight

Virginia Western continues to not properly record fixed assets in the System's fixed asset system. Specifically, we found:

- thirty-two fixed assets totaling $763,081 with acquisition dates from May 2019 to April 2020 were not recorded timely within the fixed asset system and were not corrected when physical inventory counts were performed;

- two of the three (67%) fixed assets tested that were added to fixed asset system did not have their tag number recorded within the fixed asset system; and

- one of the three (33%) fixed assets tested that were classified as disposed in the fixed asset system was still in use.

The System's Capital Asset Policies and Procedures Manual and CAPP Manual Topic 30505 require colleges to perform a physical inventory of fixed assets at least once every two years in order to properly safeguard assets and maintain fiscal accountability. Discrepancies between recorded and actual inventories must be resolved in a timely manner through the submission of revised input forms and tagging, if necessary. CAPP Manual Topic 30205 states that all recordable assets should be recorded in the fixed asset system within 30 days after receipt and acceptance of the asset, except at year end with all accepted and received assets, should be posted by the year-end close date. Additionally, each agency and institution should implement internal control procedures to ensure that all assets are

recorded in a timely manner and all assets are properly accounted. CAPP Manual Topic 30805 states capital assets can only be disposed when the asset is no longer in the possession of the agency.

Improper tracking and recording of capital assets within the fixed asset system increases the risk of misappropriation of Commonwealth property and may contribute to the inclusion of inaccurate information in the fixed assets system and financial statements. According to management, assets were not properly tracked and recorded due to lack of oversight and twenty-one fixed assets acquired during February 2020 through April 2020 were not recorded timely due to COVID-19.

Virginia Western's management should enhance its oversight to ensure fixed assets and their tag numbers are properly tracked and recorded timely in the fixed asset system. Additionally, management should ensure the completion of a full inventory that includes all inventory acquired to date and timely correction of identified discrepancies.

2020-23: <u>Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees</u>

Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Virginia Western did not consistently accomplish its procedures for wage and adjunct (part-time) employees that terminated employment with the college. For three of the 20 (15%) terminated part-time employees tested, Virginia Western did not remove the employee's system access within five business days upon their termination.

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 include: 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 community college.

By not removing access in a timely manner, Virginia Western is increasing the risk that terminated employees may attempt to use their 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, there are two processes for terminating part-time employees can lead to confusion and challenges with communication between department supervisors, human resources, and payroll, resulting in a lack of timely notification of terminations.

Management of Virginia Western should improve policies and procedures for terminating part-time employees and strengthen communications between department supervisors, human resources, and payroll to ensure terminated part-time employees' system access is deactivated timely in accordance with the System's Security Standard.

THOMAS NELSON COMMUNITY COLLEGE

2020-24: Strengthen Internal Controls over Journal Entries
Topic: Financial Accounting and Reporting
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Thomas Nelson does not consistently create and retain supporting documentation for journal entries. For ten out of the 25 (40%) journal entries reviewed, Thomas Nelson did not have documentation readily available supporting the adjusting journal entry.

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. Additionally, CAPP Manual Topic 20905 states agency management is responsible for instituting internal control over the recording of financial transactions that is designed to provide reasonable assurance regarding the reliability of those records. Reliability of financial records means that management can reasonably make several assertions as to the completeness and accuracy of the financial records.

Without supporting documentation, Thomas Nelson increases its risk of recording inaccurate information and management may not be able to determine if accounting records are complete and accurate. While management was ultimately able to provide some documentation to corroborate the adjusting journal entries, the initial lack of supporting documentation was due to staff turnover in the accounting department and not being consistent in scanning supporting documentation in the accounting system.

Thomas Nelson should strengthen its internal controls over accounting transactions, including journal entries. To strengthen its internal controls, Thomas Nelson should develop policies and procedures to create and retain supporting documentation for journal entries that includes evidence of the supervisor's review and approval that the data entered into the accounting system is accurate.

2020-25: Perform Complete Physical Inventory
Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2017 as 2017-17)
Prior Title: Ensure Reconciling Inventory Items are Properly Classified

Thomas Nelson has not performed a 100 percent physical inventory in over two years. The last 100 percent physical inventory occurred in February 2019, and as of May 2021, Thomas Nelson has not performed a 100 percent physical inventory.

Thomas Nelson's Administrative Procedures Manual – 10.7 Asset Control Management, Section F. Control, states the Fixed Asset Coordinator shall send out a printout of the complete active inventory to each account manager who shall conduct a 100 percent accounting of the fixed assets assigned to their operations once a year. The Fixed Asset Coordinator shall also conduct an annual physical spot check on ten percent of the inventory to detect compliance and proper control of assets. In addition, CAPP Manual Topic 30505 – Physical Inventory, states a physical inventory of capital assets is required at least once every two years in order to properly safeguard assets and maintain fiscal accountability.

By not performing a 100 percent physical inventory, Thomas Nelson increases the risk of misappropriation of Commonwealth property and may contribute to the inclusion of inaccurate information in the capital asset system and cause misstatements in the financial statements. In addition, without performing a 100 percent physical inventory, issues identified as part of the 2017 fiscal year audit, which included not properly reconciling items, could not be resolved.

Thomas Nelson completed a physical spot check on ten percent of the inventory during fiscal year 2020; however, according to management, college personnel did not complete a 100 percent physical inventory due to the COVID-19 pandemic. Thomas Nelson's management should ensure the college completes a 100 percent physical inventory annually in accordance with the college's Asset Control Management procedures.

2020-26: <u>Ensure Revenue is Recorded Timely</u>
Topic: Financial Accounting and Reporting
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Thomas Nelson did not record revenue entries timely to the accounting system that are originally recorded in the student system. Fifteen of the 25 (60%) revenue entries randomly tested were recorded between four and seventeen business days after the revenue was received. Additionally, Thomas Nelson's policies and procedures state revenue entries should be processed weekly or daily depending on time of year, which does not align with the CAPP Manual.

CAPP Manual Topic 20205 – Deposits, states, all State receipts will be recorded in the Commonwealth's accounting and reporting system in a timely manner within three business days of the deposit. Untimely journal entries may result in inaccurate information within accounts and potentially the annual financial statements. In addition, the Commonwealth's accounting and financial reporting system will not reflect accurate and current information for updates that occur after recording to the general ledger. According to management, revenue entries were not recorded timely due to lack of staff.

Thomas Nelson's management should revise its policies and procedures for revenue entries to be consistent with CAPP Manual requirements. Additionally, management should allocate proper resources to ensure the college records revenue entries timely in the accounting system.

2020-27: Deactivate Access to Commonwealth's Purchasing System Timely
Topic: Access Control
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued for fiscal year 2017 as 2017-14)
Prior Title: Deactivate Terminated User Access Timely

Thomas Nelson did not deactivate access to the Commonwealth's purchasing system in a timely manner. In four out of eight (50%) terminated employees tested, Thomas Nelson deactivated access to the purchasing system between nine and 53 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. 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 system. Additionally, the Commonwealth's Electronic Procurement System Security Standards, Section 2.8 – Deactivation of Access states, access shall be deactivated when the requirement for access no longer exists.

By not removing access in a timely manner, Thomas Nelson increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely user access deactivations may compromise the protection and integrity of confidential Commonwealth purchasing system data. As the Commonwealth's purchasing system is a web-based application accessible from anywhere, the college may be subject to an elevated risk of unauthorized access to online transactions, as removing a user from the college's internal network is not sufficient to limit a user's ability to access the system.

According to management, turnover in the finance and administration department resulted in untimely system deactivations. Regardless of the amount of turnover, Thomas Nelson management should ensure timely deactivation of terminated employees' access to the Commonwealth's purchasing system in accordance with the System's Security Standard and the Commonwealth's Electronic Procurement System Security Standards.

2020-28: Perform Annual Access Review of the Commonwealth's Human Resource System
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson is not performing annual reviews of access to the Commonwealth's human resource system. One out of five (20%) individuals tested with access to the Commonwealth's human resource system retained access to the system for over two years after their termination.

The System's Security Standard, 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. Security Standard, Section 9.2.6 – Removal or adjustment of access rights, advises the college to disable information system access upon termination of their employment, which is the date that an employee is terminated from the System's human resource system, and in cases where evaluation of risk of access indicates the removal from systems access may be deemed necessary for certain employees prior to termination, such as periods of inactivity.

By not performing an annual system access review, Thomas Nelson increases its risk of unauthorized individuals having access to state systems and sensitive information. While an access removal form was submitted for this prior employee when they no longer needed access, Thomas Nelson's human resources was not aware of the requirement to perform system access reviews for the Commonwealth's human resource system and therefore, did not identify that access was not removed.

Thomas Nelson's human resources should perform an annual access review of the Commonwealth's human resource system and retain documentation of this review. Furthermore, human resources should develop and implement a policy over this process to ensure ongoing compliance with the Security Standard.

2020-29: Reconcile Federal Aid Programs Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson business office personnel were unable to provide sufficient documentation showing monthly reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. The cause of the incomplete documentation was an oversight by management. Specifically, we noted the following deficiencies:

- The business office did not retain its reconciliations of the college's accounting records with the federal drawdown system and its bank account. The office reconciles its records to the federal drawdown system when a drawdown occurs and performs weekly reconciliations.

- The financial aid office could not provide documentation of the monthly reconciliation of its records with the School Account Statement (SAS) received from the Common Origination and Disbursement (COD) System. Thomas Nelson retained the monthly SAS reports from the COD System, but did not retain documentation to provide audit evidence the reports had been reviewed and agreed to the college's records.

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

By not documenting a monthly reconciliation of Federal Direct Loans, Thomas Nelson places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal noncompliance which may lead to potential adverse actions and may impact participation by the institution in Title IV of the Higher Education Act of 1965 (Title IV) programs.

Thomas Nelson should perform and retain sufficient documentation of its monthly reconciliations and resolve reconciling items between its accounting systems, the federal drawdown system, and the COD system in a timely manner to ensure compliance with federal regulations. In addition, Thomas Nelson should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.

2020-30: <u>Promptly Return Unclaimed Aid to Department of Education</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson's business office personnel did not return $32,720 in unclaimed student financial aid funds to the United States Department of Education (Education) within the required timeframe. Thomas Nelson management indicated prioritizing other activities was the underlying cause of the funds not being returned to Education.

In accordance with 34 C.F.R. §668.164(l), if an institution attempts to disburse the funds by check and the check is not cashed, 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 an electronic funds transfer (EFT) is rejected. By not returning funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect Thomas Nelson's participation in Title IV aid programs. In the event Thomas Nelson is unable to contact the federal aid recipient and the check remains uncashed or EFT is rejected, Thomas Nelson should ensure that unclaimed funds are returned to Education within the required timeframe.

2020-31: <u>Report Student Status Changes Accurately and Timely to National Student Loan Data System</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson 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 graduated, withdrawn, or changed enrollment levels. Thomas Nelson management indicated employee turnover and a lack of clearly defined policies and procedures for enrollment reporting as the underlying causes for the noncompliance noted. From a review of 52 students, we identified the following deficiencies:

- for 18 students (35%), at least one campus or program-level field deemed critical was reported inaccurately;
- the enrollment status for four students (8%) was inaccurate;
- the effective date for 15 students (29%) was inaccurate;
- eleven students (21%) tested were not certified timely in NSLDS; and
- the withdraw status was reported only once in NSLDS, rather than the required two times, for two students (4%).

In accordance with 34 C.F.R. §685.309 and further outlined in the NSLDS Enrollment Guide published by Education, enrollment changes must be reported 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 and can potentially impact loan repayment grace periods and/or loan subsidies.

Management should develop and implement written policies and procedures relating to enrollment reporting that align with federal regulations. Management should ensure that student status changes are reported accurately and timely to NSLDS. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review (QCR) process to monitor the accuracy and timeliness of submitted enrollment batches at both the campus and program levels in NSLDS.

2020-32: Improve Notification Process for Federal Direct Loan Awards to Students
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson financial aid office personnel did not properly notify three of 25 (12%) federal Direct Loan borrowers tested. The C.F.R. requires Thomas Nelson to provide written award notifications to students, which include important details on the rights, options, and requirements of the student loan. The financial aid office uses an automated system to send the required notifications to borrowers. The financial aid office does not perform any type of review to determine if all notices are sent to students when disbursements are posted. An oversight by staff contributed to the improper notifications noted.

Title 34 C.F.R. §668.165(a)(2) requires institutions to 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. Failure to properly notify students in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

Thomas Nelson financial aid office should revisit its procedures used in the loan notification process. Thomas Nelson management should implement corrective action to ensure that the college properly notifies all students who receive federal Direct Loans.

2020-33: Ensure an Accurate FISAP is Submitted to Department of Education
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson personnel inaccurately reported Item 22 – Total Tuition and Fees in Section II of the college's Fiscal Operations Report and Application to Participate (FISAP). The line item was overstated by $2,011,241 due to the inclusion of continuing education funds and unearned revenue. Additionally, Thomas Nelson inaccurately reported Item 24 – Total Expended for State Grants and Scholarships in Section II of the FISAP. The line item was overstated by $3,252,749 due to the Financial Aid Director erroneously including the Commonwealth Grant and Virginia Guaranteed Assistance Program Grant totals. The underlying cause of the errors is an oversight by management.

In accordance with 34 C.F.R. §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. The FISAP instructions provided by Education further inform institutions of what to report in Section II. Item 22 – Total Tuition and Fees and Section II. Item 24 - Total Expended for State Grants and Scholarships. Per this guidance, institutions should exclude tuition and fee revenue collected from individuals not meeting

the description of an enrolled student and exclude state grants when the institutions determine the student awards. For state grants and scholarships, state awards should not be included if the institution has the final decision on which students receive the funds. By inaccurately reporting information on the FISAP, Thomas Nelson has provided inaccurate information which Education uses to make funding decisions. Thomas Nelson management should review FISAP instructions and ensure the proper amounts are reported on Section II, Item 22 – Total Tuition and Fees and Section II, Item 24 – Total Expended for State Grants and Scholarships of the FISAP.

2020-34: <u>Properly Complete Exit Counseling for Direct Loan Borrowers</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson financial aid office personnel did not adhere to the federal exit counseling requirement. An oversight by staff contributed to the noncompliance noted. We noted the following discrepancies:

- the financial aid office did not send required exit counseling materials to three (12%) federal Direct Loan borrowers that had withdrawn from the college and had not completed online exit counseling; and

- the financial aid office did not document the date exit counseling materials were sent to three federal Direct Loan borrowers (12%) after the students withdrew from the college and did not complete online exit counseling.

In accordance with 34 C.F.R. §685.304(b)(3), if a student borrower withdraws from an institution without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must occur within 30 days after the institution learns that the student borrower has withdrawn from the institution or failed to complete the exit counseling as required. This must be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the institution sending the counseling materials. By not performing this function, Thomas Nelson is not attempting to provide students with repayment information relating to their student loans.

Thomas Nelson should review their policies and procedures for sending exit counseling materials to students and tracking when the materials are sent to students. Thomas Nelson should implement corrective action to ensure all applicable students are properly notified of exit counseling requirements and track when the college notifies the withdrawn students.

2020-35: Ensure Student System Roles are Assigned Properly
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson personnel within the IT office provided student system roles which have been granted for financial aid office staff; however, for two of 18 employees (11%), roles have been assigned which are not necessary when considering current job responsibilities. Thomas Nelson management could not explain why access roles were not in agreement with job responsibilities.

In accordance with 2 C.F.R. §200.303, 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, System's Security Standard, Section 9.1.1, further states that roles-based access control is an approach used to link access rights with business roles. Access should be granted on a need-to-know basis such that each employee is granted access to the information he or she needs to perform his or her tasks. Management should perform a thorough evaluation of employees to ensure that student system roles are granted based upon current position and job responsibilities.

2020-36: Improve Direct Loan Quality Assurance Program
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson's financial aid office does not have a documented federal Direct Loan quality assurance program that is accessible and available for review. Title 34 C.F.R. §685.300 (b) (9), requires the implementation of a quality assurance system, as established by the Secretary, and developed in consultation with the institution, to ensure that the institution is complying with program requirements and meeting program objectives. This quality assurance program should include the following:

- reporting loan records, disbursements, and adjustments to disbursements correctly to the COD system;
- disbursing and returning loan funds in accordance with regulatory requirements;
- disbursing the correct loan amount to the correct student; and
- completing monthly reconciliation and program year closeout.

Failure to properly implement an effective quality assurance program in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

Thomas Nelson has some of the quality assurance components in place by having a written policies and procedures manual. However, the policies and procedures manual lacks specifics about the quality assurance program and how Thomas Nelson is reviewing the processes and documenting its current procedures. An oversight by management is the underlying cause of why Thomas Nelson does not have these written policies and procedures in place. Thomas Nelson financial aid office should develop a quality assurance program that is clear, concise, and adequately addresses the requirements specified in the C.F.R.

2020-37: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Thomas Nelson has not performed a college specific assessment of the risks impacting its IT environment. 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 GLBA. Related regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires each college to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the college's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements as required by the GLBA for the college, Thomas Nelson may not be able to ensure the security and confidentiality of customer information. Additionally, Thomas Nelson may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer.

Thomas Nelson did not perform the risk assessment because it was unaware of the GLBA cybersecurity requirements.

Thomas Nelson should perform and document a college specific risk assessment that evaluates all elements of risks as required by the GLBA that may impact the college. As part of the risk assessment process, Thomas Nelson should identify controls and safeguards that are either in place or need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, Thomas Nelson should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist Thomas Nelson in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

2020-38: <u>Seek Clarification and Apply Policies Consistent with Expectations</u>
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

During the COVID pandemic, Southside Virginia supervisors permitted certain employees to charge Public Health Emergency Leave (PHEL) in a manner that was not consistent with how other management teams in the System allowed their employees to charge PHEL. During fiscal year 2020, Southside Virginia paid its employees $247,344.58 (2.19% of total payroll) in PHEL benefits. In contrast, the percentage of PHEL to total payroll at Virginia Highlands, Mountain Empire, and Southwest Virginia was 0.06 percent, 0.30 percent, and 0.09 percent, respectively. Specifically, Southside Virginia supervisors, in consultation with human resources, permitted salaried employees who teleworked Monday through Thursday to charge PHEL on Fridays from April 2020 through June 2020 when facilities were closed for deep cleaning.

In response to the worldwide COVID-19 pandemic, the Governor's Office Chief of Staff provided the following information on PHEL on March 6, 2020: "If an employee is unable to telework this leave can be used to self-monitor health when returning from Level 2 and 3 countries, such as China, Iran, South Korea, Italy, or Japan. This leave may also be used to care for an immediate family member residing in an affected area, as defined in policy. At this time, leave should not be needed for this purpose, as the Commonwealth has no known cases." After the Governor declared a state of emergency on March 12, 2020, the Chief of Staff provided further instructions on March 13, 2020, which included:

- Employees who are able to telework while the office is closed should do so.

- Other employees who are unable to telework should charge their time as they do for normal emergency office closures.

DHRM Policy Guide 4.52 Public Health Emergency Leave states, "the Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with §2.2-1201 of the Code of Virginia." This policy includes the following regarding Public Health Emergency Leave, upon declaration and within the period of a Communicable Disease of Public Health Threat, all salaried employees are eligible for up to 80 hours of paid leave per leave year to attend to their own medical condition and/or to care for immediate family members residing in an affected area.

In a PowerPoint presentation on March 12, 2020, DHRM provided preliminary guidance, which defined the purpose of PHEL "to permit or require eligible employees to attend to: their own medical needs or those of their immediate family members [for] application for COVID-19." DHRM Policy Guide 4.52 Public Health Emergency Leave (COVID-19 ONLY) as of March 26, 2020, provided the following clarifications to this policy:

- Employees required by public health officials to be monitored during the incubation period may use PHEL to be paid for that period of time.

- Employees potentially exposed but asymptomatic who choose to self-monitor may telework for the incubation period.

    - If an employee's job is not conducive to telework or other off-site arrangements, the employee will be provided PHEL.

    - Agencies are encouraged to be creative in identifying ways to enable asymptomatic employees to self-monitor away from the workplace while continuing to work.

- Agencies that require self-monitoring to mitigate potential risk of exposure to other employees must permit teleworking or other arrangements. If other arrangements cannot be made, the agencies should award PHEL.

Additionally, this update temporarily expanded PHEL hours from 80 to 160. This was rescinded effective January 10, 2021, with the DHRM Public Health Emergency Leave: Agency Update on December 2, 2020.

On April 2, 2020, Southside Virginia's Interim Vice President of Academics emailed instructions to all Southside Virginia staff, advising them that Southside Virginia facilities would remain closed to the public until further notice, faculty and staff would operate in a teleworking environment to provide uninterrupted services to students and stakeholders, and access to Southside Virginia campuses would be restricted to designated staff on designated dates and times. Additionally, Southside Virginia's Interim Vice President of Academics declared that Southside Virginia facilities would be closed on Friday, April 10 and April 17, 2020 in order to perform "deep cleaning." On April 22, 2020, Southside Virginia's President's Office advised all Southside Virginia employees that facilities would be closed on Fridays through June 5, 2020. The President's memorandum also stated, "Even though we are closed on Fridays, I know we will continue to work with our students, answering their questions and concerns. Our #1 Goal

is to help our students to succeed in these unusual times...remember despite massive disruptions, we are 'open for business' and still here for our students!" To ensure consistent application and approval of PHEL, Southside Virginia's Director of Human Resources sent the following email instructions to all Southside Virginia staff on April 15, 2020:

> *These benefit programs [PHEL and Families First Coronavirus Response Act (FFCRA)] are only to be used by those who cannot work or telework for their normal assignment of work due to COVID-19. The programs can be used on an intermittent basis, meaning employees can request use of these leave programs to supplement hours worked (on-site or telework) …The eligibility and benefits for these programs can be very complex and based on each individual circumstance. Employees should reach out to their supervisors, who in consultation with HR, will determine eligibility for PHEL and FFCRA.*

Although there was official policy and guidance related to PHEL, Southside Virginia supervisors, in consultation with human resources, permitted certain salaried employees to charge PHEL in a manner that was not consistent with official policy and guidance. Southside Virginia's Human Resources Director attended video conferences provided by DHRM and heard from certain employees at other Commonwealth entities who used PHEL when employees were unable to work due to facility closures or when teleworking was not available due to the nature of their employment. According to Southside Virginia's Human Resources Director, this was interpreted to assume that Southside Virginia supervisors could approve salary employees who normally teleworked during the pandemic to charge PHEL when the buildings were closed for a deep cleaning to prevent COVID-19. Southside Virginia's Human Resources Director made this interpretation without contacting subject matter experts at DHRM and/or the Assistance Vice Chancellor for Human Resources or the Director of Human Resources and System Initiatives within System Office, which were not vacant during the period in question.

In the future, Southside Virginia management should consult proper subject matter experts at DHRM or at the System Office when implementing policies to ensure they are consistent with official guidance and the expectations of Southside Virginia's President. Additionally, management at Southside Virginia and the System Office should ensure that federal funds are not used to reimburse PHEL benefits which were inconsistent with official guidance.

2020-39: <u>Continue to Improve Controls over Terminated Employees</u>
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2017 as 2017-25)
Prior Title: Improve Internal Control Over Terminated Employees

While Southside Virginia has made improvements in its termination process by ensuring it completes the termination checklist for terminated employees, Southside Virginia is not removing access timely for terminated employees. For eight of the 13 (62%) terminated employees tested, Southside Virginia did not remove their system access timely.

The System's Security Standard, Section 9.2.6 – Removal or adjustment of access rights, states that access rights of all employees will be removed upon termination of their employment within five business days. By not removing access timely, Southside Virginia is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information.

These employees did not have their access removed timely because Southside Virginia did not consistently perform its procedures for employees that terminated employment with the college. To ensure timely removal of system access, Southside Virginia should consistently execute its procedures for terminated employees.

2020-40: <u>Continue to Improve Capital Asset Inventory and Tracking</u>
Topic: Capital Assets
Type: Internal Control
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2017 as 2017-28)
Prior Title: Improve Fixed Asset Inventory and Tracking

Southside Virginia did not properly classify the disposal of two capital assets. For two capital assets selected for testing, Southside Virginia recorded the asset as being sold; however, management determined that one of the assets was missing and decided to scrap the other. In both cases, Southside Virginia did not have documentation consistent with the requirements when an asset is determined to be missing or is scrapped.

CAPP Manual Topic 30805 – Asset Disposal states that when a capitalized asset is disposed of 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 Policies and Procedures Manual provides additional guidance when assets are missing or scrapped. Assets that cannot be accounted for 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. Assets that are unusable and have no commercial value may be destroyed or abandoned with prior written approval from the Virginia Department of General Services. These assets should be recorded in the asset management system with a status code of "scrapped."

Insufficient recording of Southside Virginia'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.

Southside Virginia 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. Additionally, management should also ensure, when applicable, that it maintains and makes available for review a complete and accurate audit trail for items removed from inventory.

DANVILLE COMMUNITY COLLEGE

2020-41: Reconcile Federal Aid Programs Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's business office did not document the date when monthly reconciliations of federal Direct Loans occur. For two (100%) of the monthly reconciliations tested, the documentation did not indicate when the reconciliations were prepared or reviewed. The business office incorporates the reconciliation of the SAS produced by the COD system into its reconciliation between the federal drawdown system and Danville's accounting records for federal Direct Loans. The preparer and reviewer signed all of the reconciliations tested. Danville management could not provide an underlying reason for the issue noted.

In accordance with 34 C.F.R. §685.300(b)(5) and 34 C.F.R. §685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, the COD System 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. Reconciliation requirements are detailed in Chapter 6 - Reconciliation in the Direct Loan Program of the Handbook.

By not documenting when the monthly reconciliation of federal Direct Loans occurs, Danville places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal noncompliance which may lead to potential adverse actions and may impact participation by the institution in Title IV programs.

Danville should perform and retain sufficient documentation of its monthly reconciliations and resolve reconciling items between its accounting systems, the federal drawdown system, and the COD system in a timely manner to ensure compliance with federal regulations. In addition, Danville should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.

2020-42: Promptly Disburse Credit Balances to Students
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville business office personnel did not promptly disburse credit balances to students. For nine of 25 (36%) students, credit balances were disbursed up to 36 days after each student received a credit on his or her student account. Danville management indicated the delays were due to a combination of factors including staff turnover, all office staff working remotely, and prioritizing year-end reporting over disbursing credit balances.

In accordance with 34 C.F.R. §668.164(d)(1)(i)(A) and (ii)(A) and 34 C.F.R. §668.164(d)(1)(i)(B) and (ii)(B), an institution may pay a credit balance by initiating an EFT to the bank account designated by the student or parent. An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within 14 days or be able to provide payment to the student upon demand within 14 days of crediting the student's account. Regardless of the method used, an institution must disburse the credit balance within the regulatory time frame. By not disbursing the funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect Danville's participation in Title IV aid programs. Danville's business office should disburse credit balances to students timely thus ensuring the college's disbursement of federal aid aligns with federal requirements.

2020-43: Properly Manage Return of Title IV Funds
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's financial aid office did not promptly return Title IV funds within 45 days of the institution's determination that a student withdrew. For two of 16 students (12%) withdrawing from Danville during the academic year, Danville staff returned the funds 99 days following the determination the student withdrew from Danville. Management indicated previous transmission errors not addressed in the COD system for these students led to the delay in returning the funds.

Additionally, Danville did not update one student's record in the COD system when the student withdrew from Danville in the spring 2020 term due to COVID-19. For the spring 2020 term, federal guidance required institutions to add the Coronavirus indicator to all disbursements in the COD system that such students received during the payment period in which they withdrew due to COVID-19.

Title 34 C.F.R. §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The institution must

return unearned funds within 45 days after the date that the institution determines the student has withdrawn. Failure to comply with the return provisions could result in the initiation of an adverse action by Education against Danville.

Danville financial aid office should train staff to promptly correct transmission errors in the COD System when reporting disbursements. By correcting disbursement transmission errors timely, Danville can return the funds timely to Education if a student subsequently withdraws. Finally, Danville should follow all special instructions from Education relating to COVID-19.

2020-44: Promptly Return Unclaimed Aid to Department of Education
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville business office personnel did not return $2, 369 in unclaimed student financial aid funds to Education within the required timeframe. Additionally, business office personnel disbursed $22 to students after the deadline passed to return the unclaimed funds to Education. Danville management indicated staff turnover was the underlying cause of the errors noted.

In accordance with 34 C.F.R. §668.164(l), if an institution attempts to disburse the funds by check and the check is not cashed, 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 an EFT is rejected. By not returning funds timely, the institution is subject to potential adverse actions that may affect the Danville's participation in Title IV aid programs. In the event Danville is unable to contact the federal aid recipient, and the check remains uncashed, or EFT is rejected, Danville should ensure that unclaimed funds are returned to Education within the required timeframe.

2020-45: Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville center for organizational excellence and data analytics office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had graduated or withdrawn. The underlying cause of some of the errors is a lack of oversight by management. For remaining errors noted, Danville needs to perform additional research to determine the root cause. Based on a review of 50 students, the following deficiencies were noted:

- effective withdraw date for five students (10%) was inaccurate;
- three students (6%) tested were not certified timely in NSLDS;

- one student's (2%) withdraw status was reported only once in NSLDS, rather than the required two times; and

- for six students (12%), at least one campus or program-level field deemed critical has been reported inaccurately.

In accordance with 34 C.F.R. §685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, enrollment changes must be reported 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 and can potentially impact loan repayment grace periods.

Danville management should ensure that student status changes are reported 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.

2020-46: <u>Properly Complete Verification Prior to Disbursing Federal Financial Aid</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's financial aid office did not properly complete the verification process for three out of 25 (12%) students tested prior to disbursing aid. The errors did not result in a change in awards to the three students. An oversight by staff contributed to the errors noted.

In accordance with 34 C.F.R. §668.54 and 34 C.F.R. §668.56, an institution must require an applicant whose Free Application for Federal Student Aid (FAFSA) information has been selected for verification to verify the information selected by the Secretary. Dear Colleague Letter GEN-18-3 outlines the 2019-2020 Award Year FAFSA information required to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. By not properly performing the necessary verification, Danville could be providing financial aid disbursements to students for which inaccurate information is provided resulting in potential over awards of federal financial aid.

Danville should provide additional training to staff for obtaining and reviewing mandatory documentation for students selected for verification. Management should implement corrective action to prevent future noncompliance and should consider implementing a QCR process to monitor that acceptable documentation is obtained, reviewed, and retained for audit purposes.

2020-47: Improve Direct Loan Quality Assurance Program
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's financial aid office does not have a documented federal Direct Loan quality assurance program that is accessible and available for review. Title 34 C.F.R. §685.300(b)(9), requires the implementation of a quality assurance system, as established by the Secretary, and developed in consultation with the institution, to ensure that the institution is complying with program requirements and meeting program objectives. This quality assurance program should include the following:

- reporting loan records, disbursements, and adjustments to disbursements correctly to the COD system;
- disbursing and returning loan funds in accordance with regulatory requirements;
- disbursing the correct loan amount to the correct student; and
- completing monthly reconciliation and program year closeout.

Failure to properly implement an effective quality assurance program in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

Danville has some of the quality assurance components in place by having a written policies and procedures manual. However, the policies and procedures manual lacks specifics about the quality assurance program and how Danville is reviewing the processes and documenting its current procedures. An oversight by management is the underlying cause of why Danville does not have these written policies and procedures in place. Danville's financial aid office should develop a quality assurance program that is clear, concise, and adequately addresses all of the requirements specified in the C.F.R.

2020-48: Improve Notification Process for Federal Direct Loan Awards to Students
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's financial aid office did not properly notify students awarded federal Direct Loans for three of 25 (12%) of borrowers tested that received loans. Two of the three borrowers were notified but not within the specified time requirement. The C.F.R. requires Danville to provide written award notifications to students, which include important details on the rights, options, and requirements of the student loan. The financial aid office uses an automated system to send the required notifications to borrowers. The financial aid office does not perform any type of review to determine if all notices are

sent to students when disbursements are posted. An oversight by management is the underlying cause of the improper notifications noted.

Title 34 C.F.R. §668.165(a)(2) requires institutions to 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. Failure to properly notify students in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs. Danville's financial aid office should revisit the processes that trigger the loan notification process and train additional staff in this area to ensure Danville properly notifies all students timely who receive federal Direct Loans.

2020-49: <u>Improve Reporting to the Common Origination and Disbursement System</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville's financial aid office did not report disbursements timely to the COD system for six of 25 students (24%) of the Pell and Direct Loan disbursements tested. Danville's procedures for disbursing financial aid to students did not align with the federal reporting requirements contributing to the delays noted.

In accordance with 84 FR 58703 and Volume 4, Chapter 2 of the Handbook, an institution must submit federal Pell Grant and Direct Loan 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 C.F.R. §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 the Secretary of Education.

If an institution does not submit disbursement records within the required timeframe, it may result in the Secretary rejecting all or part of the reported disbursement. Improper reporting may result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty. Danville should change their policies and procedures for submitting disbursement records to the COD system to align with the federal reporting requirements.

2020-50: Ensure Student System Roles are Assigned Properly
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville personnel within the IT office provided student system roles which have been granted for financial aid office staff; however, for four of five employees (80%), roles have been assigned which are not necessary when considering current job responsibilities. Additionally, six former employees of the college have current information system access. System access remained for up to two years after the employees separated from the college. Danville management could not explain why access roles were not in agreement with job responsibilities or why termination of access was delayed after employees separated from the college.

In accordance with 2 C.F.R. §200.303, 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, System's Security Standard, Section 9.1.1, further states that roles-based access control is an approach used to link access rights with business roles. Access should be granted on a need-to-know basis such that each employee is granted access to the information he or she needs to perform his or her tasks.

Danville management should perform a thorough evaluation of employees to ensure that student system roles are granted based upon current position and job responsibilities. Danville management should also ensure information system roles are promptly deleted when an employee separates from the college.

2020-51: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Danville does not consider certain required elements of risk to its IT environment within its risk assessments for its central identity management system, local network, and student system. Additionally, Danville does not consistently document safeguards for the risks that it identified within the risk assessment of its student system.

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 GLBA. Related regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires each college to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the college's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements required by the GLBA for the college, Danville may not be able to ensure the security and confidentiality of customer information. Additionally, Danville may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer. Danville did not document its evaluation of certain risk elements as required by the GLBA because it considered its current evaluation of safeguards to address all the GLBA risk elements.

Danville should perform and document a college specific risk assessment that evaluates all elements of risks as required by the GLBA that may impact the college. As part of the risk assessment process, Danville should identify controls and safeguards that are either in place or need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, Danville should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist Danville in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

SOUTHWEST VIRGINIA COMMUNITY COLLEGE

2020-52: <u>Reconcile Federal Funds Timely</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia business office personnel did not perform federal aid reconciliations timely. For all twelve months, the auditor was unable to verify that the federal drawdown system to accounting system reconciliations had been performed timely since there were no preparation and review dates or

signatures. Four out of 12 (33%) bank reconciliations were not completed until July 2020. The primary reason for the untimely reconciliations is staff turnover and a staff member out on extended leave.

In accordance with 34 C.F.R. §675.19(b)(2)(iv) and 34 C.F.R. §676.19(b)(2), institutions must establish and maintain program and fiscal records, including campus-based programs, that are reconciled at least monthly. The Handbook further states that the institution must reconcile, at least monthly, the campus-based draws recorded in the federal drawdown system to the funds received in the bank account the institution has designated to receive electronic transfers and account for any discrepancies. By not reconciling federal student aid programs monthly as required, Southwest Virginia increases the risk that it will not identify issues and resolve them before they become a systemic problem. Systemic problems could result in federal noncompliance which may lead to potential adverse actions and could impact participation by the institution in Title IV programs.

Southwest Virginia management should review current procedures and resources for completing federal reconciliations. Management should ensure there is proper cross-training to alleviate business continuity concerns. Management should implement corrective action to ensure reconciliations of federal aid programs are completed and reviewed timely.

2020-53: <u>Properly Manage Return of Title IV Funds</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia personnel did not promptly manage the return of Title IV fund process. The reason for the errors is management not detecting the errors and a withdrawal policy that does not align with federal regulations. The following discrepancies were noted:

- For both the fall 2019 and spring 2020 semesters, an incorrect number of days break was keyed into the student system. Not all weekend days were excluded from the period of enrollment as required for both semesters. This caused 100% of fall 2019 and spring 2020 calculations to be inaccurate.

- For one student that was identified as deceased during the period of enrollment, the admissions office used an incorrect date of withdrawal, which was later than the date of death. The incorrect date resulted in the student appearing to have attended past the 60 percent point in the semester, and thus no return to Title IV calculation was performed.

- During the period under audit, the admissions office was using a policy that resulted in the withdrawal date defaulting to the date that a withdrawal form was turned in and processed rather than using the midpoint in the semester or capturing the true last date of attendance.

- For spring 2020, financial aid personnel did not consistently populate the Coronavirus indicator field within the COD system.

Title 34 C.F.R. §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded 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.

The Handbook states that for institutions not required to take attendance, the withdrawal date is the midpoint of the payment period or period of enrollment or the last date of an academically related activity in which the student participated. The Handbook further clarifies guidance for a deceased student during the period of enrollment. For a student who dies during the period of enrollment, the withdrawal date is the date the institution determines is related to that circumstance. The withdrawal date can be no later than the date of the student's death.

Southwest Virginia management should ensure that staff collaborate on the academic calendar to ensure that dates are entered correctly into the student system. Management should perform a comprehensive review of students that may have been impacted by the policy assigning the form processing date as the default student withdrawal date and if necessary, perform a return of Title IV calculation. Financial aid personnel should determine which students have been impacted by COVID-19 and populate the Coronavirus indicator field.

2020-54: <u>Promptly Return Unclaimed Aid to Department of Education</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia business office personnel did not return $19,491 in unclaimed student financial aid funds to Education within the required timeframe. The primary cause of the noncompliance is related to employee turnover.

In accordance with 34 C.F.R. §668.164(l), if an institution attempts to disburse the funds by check and the check is not cashed, 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 an EFT is rejected. By not returning funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect the Southwest Virginia's participation in Title IV aid programs.

In the event that Southwest Virginia is unable to contact the federal aid recipient and the check remains uncashed or EFT is rejected, Southwest Virginia should ensure that unclaimed funds are returned to Education within the required timeframe. Southwest Virginia management should ensure

that a formal process is developed to track unclaimed Title IV payments and proper cross-training is implemented to prevent future noncompliance.

2020-55: Ensure an Accurate FISAP is Submitted to Department of Education
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia personnel inaccurately reported Item 22 – Total Tuition and Fees and Item 24 – Total Expended for State Grants and Scholarships in Section II of Southwest Virginia's FISAP. Item 22 was overstated by $268,172 due to the inclusion of continuing education and unearned revenue. Item 24 was overstated by over $1 million due to grants being included in which Southwest Virginia makes the final decision on the recipients. The underlying cause of the error is an oversight by management.

In accordance with 34 C.F.R. §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. The FISAP instructions provided by Education further informs institutions of what to report in Section II. Item 22 – Total Tuition and Fees and Section II. Item 24 – Total Expended for State Grants and Scholarships. Per this guidance, institutions should exclude tuition and fee revenue collected from individuals not meeting the description of an enrolled student. For state grants and scholarships, state awards should not be included if the institution has the final decision on which students receive the funds. By inaccurately reporting information on the FISAP, Southwest Virginia has provided inaccurate information from which Education uses to make funding decisions. Southwest Virginia management should review FISAP instructions and ensure the proper amounts are reported on Items 22 and 24 of the FISAP.

2020-56: Ensure Student Status Changes are Reported Accurately and Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia personnel did not report enrollment data to NSLDS accurately and/or timely. The reason for the reporting errors is a combination of an oversight by management and other reasons that will need to be researched with the college's third-party servicer. The following discrepancies were noted:

- ten of 38 students (17%) do not have an accurate enrollment status;
- the effective date for 12 of 38 students (28%) has not been reported accurately;
- eight of 38 students (33%) were not reported timely; and

- for 16 out of 38 students (53%), at least one campus or program-level field deemed critical was reported inaccurately.

In accordance with 34 C.F.R. §685.309 and further outlined in the NSLDS Enrollment Guide published by Education, enrollment changes must be reported 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. Untimely and inaccurate data submitted to NSLDS can affect the reliance placed on the system by Education for monitoring purposes. Noncompliance may impact an institution's participation in Title IV programs and can potentially impact loan repayment grace periods and/or loan subsidies.

Southwest Virginia management should perform a comprehensive review of current student status reporting procedures. Southwest Virginia personnel should collaborate with the college's third-party servicer to implement corrective action to prevent future noncompliance. Southwest Virginia management should consider implementing a QCR process to monitor the accuracy of submitted enrollment batches for both campus and program-level reporting.

2020-57: <u>Ensure Student System Roles are Assigned Properly</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia personnel within the IT office granted student system roles to financial aid office staff; however, roles have not been assigned in alignment with each employee's roles and responsibilities. The reason for the assignment issue is that a single master template for access to the student accounting system with the respective roles was created for all five employees within the financial aid office.

In addition, Southwest Virginia has experienced recent turnover in the coordinator of financial aid position. The financial aid specialist, a staff member that has been training with the former coordinator is the only employee responsible for core functions and ensuring compliance with federal regulations. Since the financial aid specialist does not have a backup, Southwest Virginia is subject to significant business continuity risk. The ability to process federal financial aid will be severely hindered if the financial aid specialist is not fully trained, is out for an extended period, or resigns.

In accordance with 2 C.F.R. §200.303, 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, System's Security Standard, Section 9.1.1, further states that roles-based access control is an approach used to link access rights with business roles. Access should be granted on a need-to-know basis such that each employee is granted access to the information he or she needs to perform his or her tasks.

Southwest Virginia management should perform a thorough evaluation of the roles assigned to employees to ensure that roles are granted based upon current position and job responsibilities. Management should also ensure that there is proper cross-training to alleviate business continuity concerns within its financial aid operations

2020-58: <u>Properly Complete Verification Prior to Disbursing Federal Financial Aid</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia's financial aid office did not properly complete the verification process for five out of 25 (20%) students tested prior to disbursing aid. Staff turnover and oversight contributed to the errors noted. The following discrepancies were noted:

- two students were not properly coded as requiring verification in the student system;
- documentation used to verify the number in the household could not be located for one student;
- the adjusted gross income on the tax return did not match the amount reported on the ISIR for one student, requiring an adjustment which had not been completed and would have impacted the student by $24; and
- the tax return was not requested for one student.

In accordance with 34 C.F.R. §668.54 and 34 C.F.R. §668.56, an institution must require an applicant whose FAFSA information has been selected for verification to verify the information selected by the Secretary. Dear Colleague Letter GEN-18-3 outlines the 2019-2020 Award Year FAFSA information required to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. By not properly performing the necessary verification, Southwest Virginia may be providing financial aid disbursements to students based upon inaccurate information.

Southwest Virginia management should provide additional training to staff for obtaining and reviewing mandatory documentation for students selected for verification. Management should implement corrective action to prevent future noncompliance and should consider implementing a QCR process to monitor that acceptable documentation is obtained, reviewed, and retained for audit purposes.

2020-59: Improve Reporting to the Common Origination and Disbursement System
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia's financial aid office did not report disbursements timely to the COD system for two of twenty-five students (8%). For one of the previously mentioned students, both disbursements made during aid year 2020 were untimely. The reason for the untimely submission is staff turnover and an oversight by management.

In accordance with 84 FR 58703 and Volume 4, Chapter 2 of the Handbook, an institution must submit federal 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 C.F.R. §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 the Secretary of Education.

If an institution does not submit disbursement records within the required timeframe, it may result in Education rejecting all or part of the reported disbursement. Improper reporting may result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty. Southwest Virginia should enhance their current reporting procedures and implement corrective action to ensure that student disbursements are reporting timely to the COD system.

2020-60: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Southwest Virginia does not consider certain required elements of risk to its IT environment within its risk assessment of the student system and network environment. 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 GLBA. Related regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires each college to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the college's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements required by the GLBA for the college, Southwest Virginia may not be able to ensure the security and confidentiality of customer information. Additionally, Southwest Virginia may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer. Southwest Virginia did not document its evaluation of certain risk elements as required by the GLBA because it considered its current evaluation of safeguards to address all the GLBA risk elements.

Southwest Virginia should perform and document a college specific risk assessment that evaluates all elements of risks as required by the GLBA that may impact the college. As part of the risk assessment process, Southwest Virginia should identify controls and safeguards that are either in place or need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, Southwest Virginia should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist Southwest Virginia in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

MOUNTAIN EMPIRE COMMUNITY COLLEGE

2020-61: <u>Improve Knowledge of Accounting System Roles and Update Policies as Needed</u>
Topic: Access Control
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Partial (first issued for fiscal year 2015)
Prior Title: Assign System Access Based on Least Privilege

Mountain Empire management is not properly reviewing the roles assigned to their employees within the System's accounting system for separation of duties and least privileges. Of the six employees tested, 26 out of 68 (31%) system roles assigned to the employees created concerns with separation of duties and least privileges.

The System's Security Standard, Section 6.1.2 – Segregation of duties, states conflicting duties and areas of responsibility should be segregated to reduce opportunities for unauthorized or unintentional modification or misuse of the organization's assets. Section 9.2.2 – Users Access Provisioning states management should verify that the access granted is appropriate based on the access

control policy and is consistent with other requirements such as segregation of duties. Additionally, Section 9.2.3 – Management of privileged access rights, states privileges will be allocated to users on a need-to-use basis and on an event-by-event basis, i.e., the minimum requirement for their functional role only when needed and the principle of least privilege must be used by each college in the assignment of security roles and responsibilities

Allowing excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data. When access granted violates separation of duties, there is an increased risk that users will exploit the weakness and perform unauthorized transactions. According to Mountain Empire's management, it has not received training to be familiar with all the accounting system roles in order to properly identify separation of duties and grant access based on least privileges. Additionally, the policies and procedures over the annual review of the accounting system's access does not provide guidance on what to consider when reviewing for separation of duties and least privileges in accordance with the System's Security Standard.

In advance of performing the annual access review, the System Office should ensure Mountain Empire's management has proper training and knowledge of the available roles in the System's accounting system. Additionally, Mountain Empire's management should update their policies and procedures in accordance with the System's Security Standards to ensure access is evaluated for proper separation of duties and against the principle of least privileges.

2020-62: <u>Reconcile the Human Resource and Retirement Systems Before Confirming</u>
Topic: Human Resources and Payroll
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

Mountain Empire did not perform the required reconciliation between the Commonwealth's retirement benefits system and Commonwealth's human resource system before certifying information to the Retirement System. CAPP Manual Topic 50410 and the Retirement System Contribution Confirmation and Payment Scheduling Employer Manual require a creditable compensation and data elements reconciliation between the human resource and retirement benefits systems monthly before confirming the contribution.

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.

Due to human resources believing their actions were adequate, they did not perform the required reconciliation between the Commonwealth's retirement benefits system and the Commonwealth's human resource system before confirming the snapshot. Mountain Empire's

management should ensure human resources understands that retirement data needs to be reconciled before confirming the monthly snapshot and adjust their procedures accordingly.

2020-63: Communicate the Importance of Termination Procedures
Topic: Human Resources and Payroll
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Mountain Empire did not consistently perform its termination procedures for employees that terminated employment with the college. Of the terminated employees tested, we noted the following deficiencies:

- evidence that the employee turned in keys, charge cards, travel cards, or any other college assets upon departure for two out of three (67%) employees was not retained; and

- access to the Commonwealth's payroll system and Commonwealth's human resource system was removed seven months past termination date for one out of four (25%) employees.

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 processing facilities, subscriptions, and removal from any documentation that identifies them as a current member of the community college.

By not removing access in a timely manner or retaining documentation that Commonwealth property was returned, Mountain Empire is increasing the risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and potentially access sensitive information. Untimely deletion of access to systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution. The underlying cause of not retaining forms and not removing access timely were due to staff not following the procedures for terminated employees.

Mountain Empire management should communicate the importance of termination procedures including the return of Commonwealth property and the removal of system access for terminated employees to Commonwealth systems in a timely manner. In addition, Mountain Empire should ensure it accurately records termination dates and retains supporting documentation.

WYTHEVILLE COMMUNITY COLLEGE

2020-64: Reconcile Federal Funds Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville business office personnel did not perform federal aid reconciliations timely. One of 12 (8%) reconciliations between Wytheville's accounting system and the federal drawdown system was untimely. In addition, ten out of twelve (83%) bank reconciliations were not completed until June 2020. The primary reason for the untimely reconciliations is related to staffing turnover.

In accordance with 34 C.F.R. §685.300(b)(5), 34 C.F.R. §675.19(b)(2)(iv) and 34 C.F.R. §676.19(b)(2), institutions must establish and maintain program and fiscal records, including federal Direct Loans and campus-based programs, that are reconciled at least monthly. The Handbook further states that the school must reconcile, at least monthly, the campus-based draws recorded in the federal drawdown system to the funds received in the bank account the school has designated to receive electronic transfers and account for any discrepancies. By not reconciling federal student aid programs monthly as required, Wytheville increases the risk that it will not identify issues and resolve them before they become a systemic problem. Systemic problems could result in federal noncompliance which may lead to potential adverse actions and could impact participation by the institution in Title IV programs.

Wytheville management should review current procedures and resources for completing federal reconciliations. Management should implement corrective action to ensure reconciliations of federal aid programs are completed and reviewed timely.

2020-65: Perform Federal Direct Loan Reconciliations Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville personnel were unable to provide sufficient documentation showing monthly reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. Specifically, Wytheville's financial aid office could not provide documentation of its monthly reconciliations of its records with the SAS received from the COD system. The financial aid office has the monthly SAS reports from the COD system, but no documentation was retained to provide audit evidence the reports are reviewed and agreed to Wytheville's records.

In accordance with 34 C.F.R. §685.300(b)(5) and 34 C.F.R. §685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, the COD system 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. Reconciliation requirements are detailed in Chapter 6 - Reconciliation in the Direct Loan Program of the Handbook.

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

Wytheville should perform and retain sufficient documentation of its monthly reconciliations and resolve reconciling items between its financial systems, federal drawdown system, and the COD system, in a timely manner to ensure compliance with federal regulations. In addition, Wytheville should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.

2020-66: Promptly Return Unclaimed Aid to Department of Education
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville's business office personnel did not return $19,255 in unclaimed student financial aid funds to Education within the required timeframe, of which $19,034 pertained to fiscal year 2020. The primary cause of the noncompliance is related to employee turnover, which impeded business continuity.

According to 34 C.F.R. §668.164(l), if an institution attempts to disburse the funds by check and the check is not cashed, 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 an EFT is rejected. By not returning funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect Wytheville's participation in Title IV aid programs. In the event that Wytheville is unable to contact the federal aid recipient and the check remains uncashed or EFT is rejected, Wytheville should ensure that unclaimed funds are returned to Education within the required timeframe.

2020-67: Ensure Student Status Changes are Reported Accurately and Timely
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville personnel did not report enrollment data to the NSLDS accurately and/or timely. The reason for the reporting errors is staff turnover and a classification of instructional program coding issue within the degree plan table of the student system. We identified the following discrepancies:

- six out of 36 students (17%) do not have an accurate enrollment status;
- the effective date for ten out of 36 students (28%) has not been reported accurately;
- twelve out of 36 students (33%) were not reported timely; and
- for 19 out of 36 students (53%), at least one campus or program level-field deemed critical was reported inaccurately.

In accordance with 34 C.F.R. §685.309 and further outlined in the NSLDS Enrollment Guide published by Education, enrollment changes must be reported 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. Untimely and inaccurate data submitted 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 and/or loan subsidies.

Wytheville management should perform a comprehensive review of data tables of the student system used to report student status changes. Corrective action should be implemented to prevent future non-compliance. Management should ensure that additional training is provided to Wytheville staff involved in the enrollment reporting process. Management should consider implementing a QCR process to monitor the accuracy of submitted enrollment batches for both campus and program-level reporting.

2020-68: <u>Ensure an Accurate FISAP is Submitted to Department of Education</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville personnel inaccurately reported Item 22 – Total Tuition and Fees in Section II of the college's FISAP. The item was overstated by $743,982 due to the inclusion of continuing education funds. The underlying cause of the error is related to staff turnover and an oversight by management.

In accordance with 34 C.F.R. §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. The FISAP instructions provided by Education further inform institutions of what to report in Section II. Item 22 – Total Tuition and Fees. Per this guidance, institutions should exclude tuition and fee revenue collected from individuals not meeting the description of an enrolled student. By inaccurately reporting information on the FISAP, Wytheville has provided inaccurate information which Education uses to make funding decisions. Wytheville management should review FISAP instructions and ensure the proper amounts are reported on Section II, Item 22 – Total Tuition and Fees of the FISAP.

2020-69: Enhance Notification for Borrowers that have not Completed Exit Counseling
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville did not complete all required exit counseling activities for withdrawn students. Financial aid office personnel sent notification through internal messaging to federal direct loan borrowers regarding the requirement to complete exit counseling. Wytheville also reviewed the COD system to determine if exit counseling had been performed. Additionally, the Wytheville Director of Financial Aid entered a block on each student's account because exit counseling had not been performed. However, Wytheville financial aid personnel did not provide the additional notification that is required to comply with federal regulations.

In accordance with 34 C.F.R. §685.304(b)(3), if a student borrower withdraws from an institution without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided within 30 days after the institution learns that the student borrower has withdrawn from the institution or failed to complete the exit counseling as required. This must be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the institution sending the counseling materials. By not performing this function, Wytheville is not providing all required notifications relating to the repayment of each borrower's federal loans. Wytheville management should enhance existing procedures to ensure that all required notifications have been provided to federal direct loan borrowers.

2020-70: Ensure Student System Roles are Assigned Properly
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville personnel within the IT office granted student system roles to financial aid office staff; however, for all three employees (100%), roles have been assigned which are not necessary when considering current job responsibilities. The reason for the improper access is that new master templates for access to the student accounting system with the respective roles were created; however, previous roles were not removed when employees changed positions and/or job responsibilities.

In addition, Wytheville has only one staff member in the financial aid office that is responsible for core functions and ensuring compliance with federal regulations. Since the Director of Financial Aid does not have a backup, Wytheville is subject to significant business continuity risk. Should the Director of Financial Aid be out for an extended period or discontinue employment with the college, Wytheville's ability to continue to process federal financial aid may be severely hindered.

In accordance with 2 C.F.R. §200.303, 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, System's Security Standard, Section 9.1.1, further states that roles-based access control is an approach used to link access rights with business roles. Access should be granted on a need-to-know basis such that each employee is granted access to the information he or she needs to perform his or her tasks.

Wytheville management should perform a thorough evaluation of employees to ensure that student system roles are granted based upon current position and job responsibilities. Management should implement corrective action as soon as possible to ensure that Wytheville has adequate business continuity within its financial aid operations.

2020-71: <u>Improve Direct Loan Quality Assurance Program</u>
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville's financial aid office does not have a documented federal Direct Loan quality assurance program that is accessible and available for review. Title 34 C.F.R. §685.300 (b)(9), requires the implementation of a quality assurance system, as established by the Secretary, and developed in consultation with the institution, to ensure that the institution is complying with program requirements and meeting program objectives. This quality assurance program should include the following:

- reporting loan records, disbursements, and adjustments to disbursements correctly to the COD system;
- disbursing and returning loan funds in accordance with regulatory requirements;
- disbursing the correct loan amount to the correct student; and
- completing monthly reconciliation and program year closeout.

Failure to properly implement an effective quality assurance program in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

Wytheville has some of the quality assurance components in place within its daily operating procedures. However, the policies and procedures manual lacks specifics about the quality assurance program and how Wytheville is reviewing the processes and documenting its current procedures. Turnover in staffing and a lack of oversight is the underlying cause of why Wytheville does not have the

documented quality assurance program in place. Wytheville's financial aid office should develop a quality assurance program that is clear, concise, and adequately addresses the requirements specified in the C.F.R.

2020-72: Improve Federal Direct Loan Borrower Notification Process
Topic: Student Financial Assistance - Accreditation
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville financial aid office personnel sent notifications with the required elements to federal Direct Loan borrowers at the time the borrower affirmatively confirmed that he or she wanted to accept the loan. However, for 20 out of 23 borrowers (87%), the loan notification did not occur within timeframes outlined within the applicable federal regulation. The reason for the errors in notification is related to staff turnover and an oversight by management.

In accordance with 34 C.F.R. §668.165(3)(i), 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 ledger account at the institution if the institution obtains affirmative confirmation from the student. Failure to provide notifications within the required timeframe results in noncompliance with the federal regulation and may impact participation in Title IV programs.

Wytheville's financial aid office should modify its current federal Direct Loan borrower notification process to ensure that each borrower is notified within prescribed federal requirements. Wytheville management should implement corrective action to prevent future noncompliance.

2020-73: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act
Topic: Information System Security
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

Wytheville does not consider certain required elements of risk to its IT environment within its risk assessment of the student system and network. 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 GLBA. Related regulations at 16 C.F.R. §314.4 require 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.

Additionally, the System's Security Standard, Section 4.2 - Assessing Security Risks, requires each college to conduct risk assessments on an annual basis and more frequently as necessary to identify, quantify, and prioritize risks against criteria for risk acceptance and objectives relevant to the college's primary business processes, activities, and sensitive information assets.

Without performing the risk assessment process and considering all elements required by the GLBA for the college, Wytheville may not be able to ensure the security and confidentiality of customer information. Additionally, Wytheville may not protect against anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to any customer. Wytheville did not document its evaluation of certain risk elements as required by the GLBA because it considered its current evaluation of safeguards to address all the GLBA risk elements.

Wytheville should perform and document a college specific risk assessment that evaluates all elements of risks as required by the GLBA that may impact the college. As part of the risk assessment process, Wytheville should identify controls and safeguards that are either in place or need to be implemented that mitigate the risks identified in the risk assessment. If there are controls that need to be implemented, Wytheville should develop a corrective action plan for implementing those controls that mitigate the risks. This process will assist Wytheville in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 25, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, 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, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated August 25, 2021. 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 2020-01 through 2020-73 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 Governmental Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" with the following finding numbers:

Finding Numbers: 2020-

01	04	07	09	10	11	12	13
15	16	18	21	23	27	28	29
30	31	32	33	34	35	36	37
38	39	41	42	43	44	45	46
47	48	49	50	51	52	53	54
55	56	57	58	59	60	61	63
64	65	66	67	68	69	70	71
72	73						

The System's Response to Findings and Recommendations

We discussed this report with management at an exit conference held on July 20, 2021 and provided management with a draft of this report August 19, 2021. 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 nonfederal 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 followed by the respective current finding number in parentheses.

- 2015: Assign System Access Based on Least Privilege (2020-61)
- 2016: Improve Fixed Asset Inventory Oversight (2020-22)
- 2016: Perform myVRS Navigator Pre-Reconciliations (2020-08)
- 2016: Improve Procedures for Employee Separation (2020-10)
- 2017-14: Deactivate Terminated User Access Timely (2020-27)
- 2017-17 Ensure Reconciling Inventory Items are Properly Classified (2020-25)
- 2017-25: Improve Internal Control Over Terminated Employees (2020-39)
- 2017-28: Improve Fixed Asset Inventory and Tracking (2020-40)
- 2019-01: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition (2020-02)
- 2019-02: Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting (2020-14)
- 2019-03: Accurately Report Intra-Commonwealth Transfers of Capital Assets (2020-06)
- 2019-04: Develop Reference Tools for the Student System (2020-04)

- 2019-05: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports (2020-05)
- 2019-06: Improve Operating System Security (2020-07)
- 2019-11: Continue to Improve and Implement Effective Exit Procedures for Employees (2020-16)
- 2019-12: Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets (2020-17)
- 2019-13: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports (2020-15)
- 2019-14: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees (2020-18)

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

GDS/clj

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
System Office		
2020-01	Monitor Statewide WIOA Grant Program According to Policy	Workforce Innovation and Opportunity Act (WIOA)
2020-02	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	Financial Accounting and Reporting
2020-03	Address Inconsistencies in Employee Personnel Records	Human Resources and Payroll
2020-04	Continue to Develop Reference Tools for the Student System	Access Control
2020-05	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
2020-06	Ensure Inter-Agency Capital Asset Transfers are Accurately Reported	Capital Assets
2020-07	Continue Improving Operating System Security	Information System Security
2020-08	Perform Certifications for Commonwealth's Retirement Benefits System	Human Resources and Payroll
2020-09	Improve Controls Over Access to Human Resource System	Human Resources and Payroll
2020-10	Continue to Improve Procedures for Employee Separation	Human Resources and Payroll
2020-11	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security
Shared Service Center		
2020-12	Ensure System Access is Granted in Accordance with the Principle of Least Privilege	Access Control
2020-13	Improve the Effectiveness of the Annual Systems Access Certification	Access Control
2020-14	Continue to Improve Information Available to Community Colleges Related to Prepayments	Financial Accounting and Reporting
Northern Virginia Community College		
2020-15	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
2020-16	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees	Human Resources and Payroll

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
2020-17	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Capital Assets
Tidewater Community College		
2020-18	Strengthen Communication and Procedures Related to Terminated Employees	Human Resources and Payroll
2020-19	Locate Equipment and Assign a Responsible Party	Capital Assets
2020-20	Develop a Contingency Plan to Maintain Proper Separation of Duties	Financial Accounting and Reporting
2020-21	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security
Virginia Western Community College		
2020-22	Improve Capital Asset Inventory and Tracking	Capital Assets
2020-23	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees	Human Resources and Payroll
Thomas Nelson Community College		
2020-24	Strengthen Internal Controls over Journal Entries	Financial Accounting and Reporting
2020-25	Perform Complete Physical Inventory	Capital Assets
2020-26	Ensure Revenue is Recorded Timely	Financial Accounting and Reporting
2020-27	Deactivate Access to Commonwealth's Purchasing System Timely	Access Control
2020-28	Perform Annual Access Review of the Commonwealth's Human Resource System	Human Resources and Payroll
Student Financial Assistance – Thomas Nelson Community College		
2020-29	Reconcile Federal Aid Programs Timely	Student Financial Assistance
2020-30	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2020-31	Report Student Status Changes Accurately and Timely to National Student Loan Data System	Student Financial Assistance
2020-32	Improve Notification Process for Federal Direct Loan Awards to Students	Student Financial Assistance

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
2020-33	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance
2020-34	Properly Complete Exit Counseling for Direct Loan Borrowers	Student Financial Assistance
2020-35	Ensure Student System Roles are Assigned Properly	Student Financial Assistance
2020-36	Improve Direct Loan Quality Assurance Program	Student Financial Assistance
2020-37	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security
Southside Virginia Community College		
2020-38	Seek Clarification and Apply Policies Consistent with Expectations	Human Resources and Payroll
2020-39	Continue to Improve Controls over Terminated Employees	Human Resources and Payroll
2020-40	Continue to Improve Capital Asset Inventory and Tracking	Capital Assets
Student Financial Assistance - Danville Community College		
2020-41	Reconcile Federal Aid Programs Timely	Student Financial Assistance
2020-42	Promptly Disburse Credit Balances to Students	Student Financial Assistance
2020-43	Properly Manage Return of Title IV Funds	Student Financial Assistance
2020-44	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2020-45	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Student Financial Assistance
2020-46	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Student Financial Assistance
2020-47	Improve Direct Loan Quality Assurance Program	Student Financial Assistance
2020-48	Improve Notification Process for Federal Direct Loan Awards to Students	Student Financial Assistance
2020-49	Improve Reporting to the Common Origination and Disbursement System	Student Financial Assistance
2020-50	Ensure Student System Roles are Assigned Properly	Student Financial Assistance
2020-51	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security
Student Financial Assistance - Southwest Virginia Community College		
2020-52	Reconcile Federal Funds Timely	Student Financial Assistance
2020-53	Properly Manage Return of Title IV Funds	Student Financial Assistance

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
2020-54	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2020-55	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance
2020-56	Ensure Student Status Changes are Reported Accurately and Timely	Student Financial Assistance
2020-57	Ensure Student System Roles are Assigned Properly	Student Financial Assistance
2020-58	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Student Financial Assistance
2020-59	Improve Reporting to the Common Origination and Disbursement System	Student Financial Assistance
2020-60	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security
Mountain Empire Community College		
2020-61	Improve Knowledge of Accounting System Roles and Update Policies as Needed	Access Control
2020-62	Reconcile the Human Resource and Retirement Systems Before Confirming	Human Resources and Payroll
2020-63	Communicate the Importance of Termination Procedures	Human Resources and Payroll
Student Financial Assistance - Wytheville Community College		
2020-64	Reconcile Federal Funds Timely	Student Financial Assistance
2020-65	Perform Federal Direct Loan Reconciliations Timely	Student Financial Assistance
2020-66	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2020-67	Ensure Student Status Changes are Reported Accurately and Timely	Student Financial Assistance
2020-68	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance
2020-69	Enhance Notification for Borrowers that have not Completed Exit Counseling	Student Financial Assistance
2020-70	Ensure Student System Roles are Assigned Properly	Student Financial Assistance
2020-71	Improve Direct Loan Quality Assurance Program	Student Financial Assistance
2020-72	Improve Federal Direct Loan Borrower Notification Process	Student Financial Assistance
2020-73	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information System Security

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
Access Control		
2020-04	Continue to Develop Reference Tools for the Student System	System Office
2020-12	Ensure System Access is Granted in Accordance with the Principle of Least Privilege	Shared Service Center
2020-13	Improve the Effectiveness of the Annual Systems Access Certification	Shared Service Center
2020-27	Deactivate Access to Commonwealth's Purchasing System Timely	Thomas Nelson Community College
2020-61	Improve Knowledge of Accounting System Roles and Update Policies as Needed	Mountain Empire Community College
Capital Assets		
2020-06	Ensure Inter-Agency Capital Asset Transfers are Accurately Reported	System Office
2020-17	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Northern Virginia Community College
2020-19	Locate Equipment and Assign a Responsible Party	Tidewater Community College
2020-22	Improve Capital Asset Inventory and Tracking	Virginia Western Community College
2020-25	Perform Complete Physical Inventory	Thomas Nelson Community College
2020-40	Continue to Improve Capital Asset Inventory and Tracking	Southside Virginia Community College
Financial Accounting and Reporting		
2020-02	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	System Office
2020-14	Continue to Improve Information Available to Community Colleges Related to Prepayments	Shared Service Center
2020-20	Develop a Contingency Plan to Maintain Proper Separation of Duties	Tidewater Community College
2020-24	Strengthen Internal Controls over Journal Entries	Thomas Nelson Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
2020-26	Ensure Revenue is Recorded Timely	Thomas Nelson Community College
Human Resources and Payroll		
2020-03	Address Inconsistencies in Employee Personnel Records	System Office
2020-08	Perform Certifications for Commonwealth's Retirement Benefits System	System Office
2020-09	Improve Controls Over Access to Human Resource System	System Office
2020-10	Continue to Improve Procedures for Employee Separation	System Office
2020-16	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees	Northern Virginia Community College
2020-18	Strengthen Communication and Procedures Related to Terminated Employees	Tidewater Community College
2020-23	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees	Virginia Western Community College
2020-28	Perform Annual Access Review of the Commonwealth's Human Resource System	Thomas Nelson Community College
2020-38	Seek Clarification and Apply Policies Consistent with Expectations	Southside Virginia Community College
2020-39	Continue to Improve Controls over Terminated Employees	Southside Virginia Community College
2020-62	Reconcile the Human Resource and Retirement Systems Before Confirming	Mountain Empire Community College
2020-63	Communicate the Importance of Termination Procedures	Mountain Empire Community College
Information System Security		
2020-07	Continue Improving Operating System Security	System Office
2020-11	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	System Office
2020-21	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Tidewater Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
2020-37	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Student Financial Assistance -Thomas Nelson Community College
2020-51	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Student Financial Assistance - Danville Community College
2020-60	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Student Financial Assistance - Southwest Virginia Community College
2020-73	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Student Financial Assistance - Wytheville Community College
Procurement/Contract Management		
2020-05	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	System Office
2020-15	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Northern Virginia Community College
Student Financial Assistance		
2020-29	Reconcile Federal Aid Programs Timely	Student Financial Assistance -Thomas Nelson Community College
2020-30	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance -Thomas Nelson Community College
2020-31	Report Student Status Changes Accurately and Timely to National Student Loan Data System	Student Financial Assistance -Thomas Nelson Community College
2020-32	Improve Notification Process for Federal Direct Loan Awards to Students	Student Financial Assistance -Thomas Nelson Community College
2020-33	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance -Thomas Nelson Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
2020-34	Properly Complete Exit Counseling for Direct Loan Borrowers	Student Financial Assistance -Thomas Nelson Community College
2020-35	Ensure Student System Roles are Assigned Properly	Student Financial Assistance -Thomas Nelson Community College
2020-36	Improve Direct Loan Quality Assurance Program	Student Financial Assistance -Thomas Nelson Community College
2020-41	Reconcile Federal Aid Programs Timely	Student Financial Assistance - Danville Community College
2020-42	Promptly Disburse Credit Balances to Students	Student Financial Assistance - Danville Community College
2020-43	Properly Manage Return of Title IV Funds	Student Financial Assistance - Danville Community College
2020-44	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance - Danville Community College
2020-45	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Student Financial Assistance - Danville Community College
2020-46	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Student Financial Assistance - Danville Community College
2020-47	Improve Direct Loan Quality Assurance Program	Student Financial Assistance - Danville Community College
2020-48	Improve Notification Process for Federal Direct Loan Awards to Students	Student Financial Assistance - Danville Community College
2020-49	Improve Reporting to the Common Origination and Disbursement System	Student Financial Assistance - Danville Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
2020-50	Ensure Student System Roles are Assigned Properly	Student Financial Assistance - Danville Community College
2020-52	Reconcile Federal Funds Timely	Student Financial Assistance - Southwest Virginia Community College
2020-53	Properly Manage Return of Title IV Funds	Student Financial Assistance - Southwest Virginia Community College
2020-54	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance - Southwest Virginia Community College
2020-55	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance - Southwest Virginia Community College
2020-56	Ensure Student Status Changes are Reported Accurately and Timely	Student Financial Assistance - Southwest Virginia Community College
2020-57	Ensure Student System Roles are Assigned Properly	Student Financial Assistance - Southwest Virginia Community College
2020-58	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Student Financial Assistance - Southwest Virginia Community College
2020-59	Improve Reporting to the Common Origination and Disbursement System	Student Financial Assistance - Southwest Virginia Community College
2020-64	Reconcile Federal Funds Timely	Student Financial Assistance - Wytheville Community College
2020-65	Perform Federal Direct Loan Reconciliations Timely	Student Financial Assistance - Wytheville Community College
2020-66	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance - Wytheville Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Applicable To:
2020-67	Ensure Student Status Changes are Reported Accurately and Timely	Student Financial Assistance - Wytheville Community College
2020-68	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance - Wytheville Community College
2020-69	Enhance Notification for Borrowers that have not Completed Exit Counseling	Student Financial Assistance - Wytheville Community College
2020-70	Ensure Student System Roles are Assigned Properly	Student Financial Assistance - Wytheville Community College
2020-71	Improve Direct Loan Quality Assurance Program	Student Financial Assistance - Wytheville Community College
2020-72	Improve Federal Direct Loan Borrower Notification Process	Student Financial Assistance - Wytheville Community College
Workforce Innovation and Opportunity Act (WIOA)		
2020-01	Monitor Statewide WIOA Grant Program According to Policy	System Office

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
System Office (SO)			
2016-N/A****	Improve Procedures for Employee Separation	Partial Repeat	2020-10
2016-N/A****	Improve Leave Accounting	Resolved***	N/A
2016-N/A****	Perform Retirement System Pre-Reconciliations	Repeat	2020-08
2019-01	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	Repeat	2020-02
2019-02	Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting	Resolved***	N/A
2019-03	Accurately Report Intra-Commonwealth Transfers of Capital Assets	Status Update*	2020-06
2019-04	Develop Reference Tools for the Student System	Status Update*	2020-04
2019-05	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Status Update*	2020-05
2019-06	Improve Operating System Security	Partial Repeat	2020-07
2019-07	Continue to Improve Web Application Security	Resolved***	N/A
2019-08	Continue to Complete a Risk Assessment for Each Sensitive System	Resolved***	N/A
Shared Services Center (SSC)			
2019-02	Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting	Partial Repeat	2020-14
2018-07	Ensure Contracts Are Valid and Current	Resolved***	N/A
2018-08	Be Able to Enforce Revenue Contract Deliverables	Resolved***	N/A
2019-09	Continue to Address System Access Issues and Implement Additional Controls	Resolved***	N/A
Northern Virginia Community College			
2018-42	Improve Reporting to National Student Loan Data System	Deferred**	N/A
2019-10	Ensure Contracts for Adjunct Employees Are Retained	Resolved***	N/A
2019-11	Continue to Improve and Implement Effective Exit Procedures for Employees	Partial Repeat	2020-16
2019-12	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Status Update*	2020-17
2019-13	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Repeat	2020-15

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
Tidewater Community College			
2018-62	Improve Reporting to National Student Loan Data System	Deferred**	N/A
2019-14	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Repeat	2020-18
John Tyler Community College			
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
J. Sargeant Reynolds Community College			
2017-48	Improve Procedures over Petty Cash	Deferred**	N/A
2017-49	Improve Internal Controls over Terminated Wage Employees	Deferred**	N/A
2018-77	Improve Direct Loan Reconciliations	Deferred**	N/A
2018-78	Resolve Federal Department of Education Findings	Deferred**	N/A
Thomas Nelson Community College			
2017-09	Ensure Everyone Knows How to Send Sensitive Information Securely	Resolved***	N/A
2017-10	Comply with Prompt Payment Requirement	Resolved***	N/A
2017-11	Improve Segregation of Duties between Human Resources and Payroll	Resolved***	N/A
2017-13	Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements	Resolved***	N/A
2017-14	Deactivate Terminated User Access Timely	Repeat	2020-27
2017-15	Ensure Employee Clearance Forms are Completed at Termination	Resolved***	N/A
2017-16	Ensure Access to Commonwealth's Retirement Benefits System is Controlled Across the System	Resolved***	N/A
2017-17	Ensure Reconciling Inventory Items Are Properly Classified	Repeat	2020-25
Virginia Western Community College			
2016-N/A****	Improve Fixed Asset Inventory Oversight	Repeat	2020-22

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
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
Germanna Community College			
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
Blue Ridge Community College			
2019-19	Improve Controls over Employee Terminations	Deferred**	N/A
2019-20	Improve Enrollment Reporting Process	Deferred**	N/A
Lord Fairfax Community College			
2018-10	Ensure Staff Transmits Sensitive Information Securely	Deferred**	N/A
2018-11	Ensure Staff Responsible for Fixed Asset Inventory Receive Training on the Topic	Deferred**	N/A
2018-12	Ensure Adequate Staffing to Provide for Proper Separation of Duties Over the Cash Collection Process	Deferred**	N/A
2018-13	Ensure Proper Capitalization of Fixed Assets	Deferred**	N/A
2018-14	Improve Effectiveness of System Access Controls	Deferred**	N/A
2018-15	Review Leave Liability Report for Accuracy	Deferred**	N/A
2018-16	Improve Documentation for Small Purchase Charge Cards	Deferred**	N/A
2018-17	Identify and Report Leases to Support the System's Financial Statements	Deferred**	N/A
2018-18	Develop Policies and Procedures for Adjunct Employees without an Active Contract	Deferred**	N/A
2018-19	Maintain Proper Documentation for System Access Termination	Deferred**	N/A
2018-20	Maintain Documentation for Federal Aid Program Reconciliations	Deferred**	N/A
2018-21	Identify and Report Prepaid Expenses	Deferred**	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	Deferred**	N/A
2018-23	Develop Policies and Procedures to Address Exceptions between the Commonwealth's Payroll and Human Resource Systems	Deferred**	N/A
Southside Virginia Community College			
2017-23	Reconcile Benefits System to Other Systems	Resolved***	N/A
2017-24	Improve Human Resources Data Reconciliation Procedures	Resolved***	N/A
2017-25	Improve Internal Controls over Terminated Employees	Partial Repeat	2020-39
2017-26	Deactivate Terminated User Access Timely	Resolved***	N/A
2017-27	Maintain Legal Agreements	Resolved***	N/A
2017-28	Improve Fixed Asset Inventory and Tracking	Partial Repeat	2020-40
2017-29	Verify Daily Cash Settlement Reports Timely	Resolved***	N/A
2017-30	Ensure Revenue Journal Entries are Approved Timely	Resolved***	N/A
2017-31	Improve Controls over Payroll Processing	Resolved***	N/A
Piedmont Virginia Community College			
2018-24	Improve Controls over Fixed 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 Preformed 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
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
Danville Community College			
2019-21	Ensure Financial Functions Are Maintained During Turnover	Deferred**	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
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
Patrick Henry Community College			
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
New River Community College			
2018-53	Improve Critical System Access Monitoring	Deferred**	N/A
2018-54	Improve Fixed Asset Inventory and Tracking	Deferred**	N/A
2018-55	Ensure Contracts Are Properly Monitored	Deferred**	N/A
2018-56	Confirm Virginia Retirement System Snapshot Timely	Deferred**	N/A
2018-57	Properly Report Accruals	Deferred**	N/A
Southwest Virginia Community College			
2015-N/A****	Ensure Proper Monitoring of Auxiliary Contracts	Deferred**	N/A
2015-N/A****	Improve Fixed Asset Inventory and Tracking	Deferred**	N/A
Central Virginia Community College			
2016-N/A****	Improve Fixed Asset Inventory and Tracking - Repeat	Deferred**	N/A
2016-N/A****	Properly Remit Unclaimed Property - Repeat	Deferred**	N/A
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
Mountain Empire Community College			
2015-N/A****	Deactivate User Access Promptly Upon Employee Separation	Resolved***	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
2015-N/A****	Assign System Access Based on Least Privilege	Partial Repeat	2020-61
Rappahannock Community College			
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
2018-63	Ensure Revenue is Recorded Timely and Accurately	Deferred**	N/A
2018-64	Update Policies and Procedures for Cash Management Requirements	Deferred**	N/A
2018-65	Assign Contract Administrator Responsibilities in Writing	Deferred**	N/A
2018-66	Properly Document Federal Aid Reconciliations	Deferred**	N/A
Wytheville Community College			
2015-N/A****	Improve Fixed Asset Inventory and Tracking	Deferred**	N/A
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
Virginia Highlands Community College			
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
Eastern Shore Community College			
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 Fixed Asset Controls	Deferred**	N/A
2017-37	Properly Approve P-3 Forms	Deferred**	N/A
2017-38	Properly Maintain Faculty Records	Deferred**	N/A
2017-53	Improve Reporting to National Student Loan Data System	Deferred**	N/A
Paul D. Camp Community College			
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

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
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
2017-18	Report Allowance for Doubtful Accounts Quarterly	Deferred**	N/A
2018-79	Improve Reporting to National Student Loan Data System	Deferred**	N/A
Dabney S. Lancaster Community College			
2018-80	Improve Reporting to National Student Loan Data System	Deferred**	N/A
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

Note: Prior findings for the 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, the 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
Business Office	Employees collectively responsible for: financial reporting, payroll, procurement, capital assets, human resources, and/or student financial assistance
C.F.R.	United States Code of Federal Regulations
CAPP	Commonwealth Accounting Policies and Procedures
COD System	Common Origination and Disbursement System
Colleges	Community colleges
CUECs	Complementary user entity controls
Danville	Danville Community College
DHRM	Department of Human Resource Management
Education	United States Department of Education
EFT	Electronic Funds Transfer
FAFSA	Free Application for Federal Student Aid
FISAP	Fiscal Operations Report and Application to Participate
GLBA	Gramm-Leach-Bliley Act
Handbook	Federal Student Financial Aid Handbook
Human Resources	Human resources department for each individual college
ISO	International Standards Organization
ISSS	System's Information Security Shared Services
IT	Information Technology
Mountain Empire	Mountain Empire Community College
Northern Virginia	Northern Virginia Community College
NSLDS	National Student Loan Data System
QCR	Quality Control Review
Retirement System	Virginia Retirement System
SAS	School Account Statement
Shared Services	Shared Services Center
Southside Virginia	Southside Virginia Community College
Southwest Virginia	Southwest Virginia Community College
SOC	System and Organization Controls
System	Virginia Community College System
System Office	Virginia Community College System Office
System's Security Standard	System's Information Technology Security Standard, based on ISO 27002:2013
Tidewater	Tidewater Community College
Title IV	Title IV of the Higher Education Act of 1965
Thomas Nelson	Thomas Nelson Community College
Virginia Western	Virginia Western Community College
WIOA	Workforce Innovation and Opportunity Act
Wytheville	Wytheville Community College

Virginia's Community Colleges

September 1, 2021

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, 2020.

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 (804) 819-4782.

Sincerely,

Glenn DuBois
Chancellor

GD/ch

Enclosure

cc: Dr. Craig Herndon

www.vccs.edu ❯ 300 Arboretum Place, Suite 200 ❯ Richmond, VA 23236 ❯ t. 804-819-4901 ❯ f. 804-819-4766
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