



VIRGINIA COLLEGE SAVINGS PLAN

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts
Martha S. Mavredes, CPA
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(804) 225-3350



AUDIT SUMMARY

Our audit of the Virginia College Savings Plan (Plan) for the year ended June 30, 2015, found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the financial statements of the business-type activities (the Enterprise Fund) and the remaining fund information (the Private-Purpose Trust Fund) of the Plan as of and for the year ended June 30, 2015, and issued our report thereon, dated December 9, 2015. Our report, included in the Plan's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov.

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INTERNAL CONTROL FINDING AND RECOMMENDATION

Improve Internal Controls over SOAR Program Administration

The Plan has not implemented adequate internal controls or segregation of duties over the SOAR Virginia program. The SOAR Virginia program provides eligible students scholarships of up to \$2,000 to apply towards post-secondary education expenses. The SOAR Virginia Program Coordinator (Coordinator) compiles program enrollment data, can alter records, and initiate distribution requests without any supervisory review or approval.

Industry best practices recommend including review and approval, and segregation of duties as control activities. However, limited resources and a small two-person team have inhibited the SOAR Virginia program administrators from implementing industry best practices. Program administrators also consider program distributions low risk since each student can only receive up to \$2,000. Without segregation of duties and supervisory review or approval of the Coordinator's work, the SOAR Virginia program is susceptible to fraud and error.

The SOAR Virginia program's balance is currently approximately \$8 million and, due to recent establishment as a permanent program by the Plan's Board of Directors, it will continue to grow. The Plan should develop and implement internal control activities that safeguard SOAR Virginia program assets. This should include reviewing and approving transaction activity and implementing segregation of duties to reduce the risk of error and fraud.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 9, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia College Savings Plan

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 business-type activities (the Enterprise Fund) and the remaining fund information (the Private-Purpose Trust Fund) of the **Virginia College Savings Plan** (Plan) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting entitled "Improve Internal Controls over SOAR Program Administration," which is described in the section titled "Internal Control Finding and Recommendation," that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Plan's Response to Findings

We discussed this report with management at an exit conference held on December 7, 2015. The Plan's response to the findings identified in our audit is described in the accompanying section titled "Agency Response." The Plan'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.

Purpose of this Report

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

DEPUTY AUDITOR OF PUBLIC ACCOUNTS

AVC/alh



COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, Richmond, VA 23236

Mary G. Morris
Chief Executive Officer

November 12, 2015

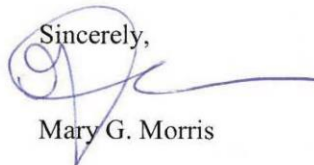
Ms. Martha S. Mavredes
Auditor of Public Accounts
101 N. 14th Street
Richmond, Virginia 23236

Dear Ms. Mavredes,

I appreciate your time and effort dedicated to the Plan's system of internal controls during this year's annual audit, specifically your observations regarding access to the SOAR Scholarship Program. While I do not concur with the finding, I recognize that the Plan has relied on manual processes that indeed may be improved. Given the small size and low volume of transactions for the pilot program, I believe sufficient controls are in place to ensure that transactions are properly initiated, approved, recorded and monitored. This year the Virginia529 Board made the SOAR program permanent and in anticipation we had already begun to incorporate SOAR processes into other standard operating processes. This ongoing effort will improve operational efficiency, allow for higher volumes, and leverage the Banner Finance and College Savings Systems controls and workflows.

In response to this finding, Plan staff reviewed and strengthened controls for SOAR enrollment, changes to student records and distribution processes. Enrollment processes have been strengthened ensuring the review is independent, complete and accurate, not only in total but also by name, high school and provider. A new report will provide a weekly review of all changes to student records and distributions are now sent from the student to Operations directly. Staff will continue to evaluate opportunities to integrate SOAR processes into the Banner College Savings system as they are deemed cost effective.

Sincerely,



Mary G. Morris

pc: Gary Ometer, CFO
Sherri Wyatt, CCO
Libby Dutton, CAO
Beth Miller, DSEO

AGENCY OFFICIALS

Virginia College Savings Plan

BOARD MEMBERS

As of June 30, 2015

Shawn P. McLaughlin, Chairman

John D. Whitlock, Vice Chairman

Dr. Edward Bersoff

Peter A. Blake

Dr. Glenn Dubois

Manju Ganeriwala

William Jaisen

Philip R. Langham

Timothy Sullivan

Peter M. Vogt

David A. Von Moll

CHIEF EXECUTIVE OFFICER

Mary G. Morris