



VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts
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AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Community College System (System) as of and for the year ended June 30, 2022, and issued our report thereon, dated January 18, 2024. 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.

Our audit also included testing over the federal programs of the Education Stabilization Fund for the Commonwealth's Single Audit and the Student Financial Assistance Program for accreditation purposes as described in the U.S. Office of Management and Budget Compliance Supplement at the following Colleges:

- Northern Virginia Community College – Education Stabilization Fund;
- Tidewater Community College – Education Stabilization Fund;
- Lord Fairfax Community College – Student Financial Assistance;
- Virginia Western Community College – Student Financial Assistance;
- Germanna Community College – Student Financial Assistance;
- Southside Virginia Community College – Student Financial Assistance;
- Patrick Henry Community College – Student Financial Assistance;
- New River Community College – Student Financial Assistance;
- Dabney S. Lancaster Community College – Student Financial Assistance;
- Central Virginia Community College – Student Financial Assistance; and
- Virginia Highlands Community College – Student Financial Assistance.

In relation to this testing, we found internal control findings requiring management's attention and instances of noncompliance in relation to Student Financial Assistance. 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

P.O. Box 1295
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January 18, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

TRANSMITTAL LETTER

For fiscal year 2022, we audited the financial statements of the **Virginia Community College System** (System). We also audited the Education Stabilization Fund 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 14 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 84 management recommendations in this report and grouped the recommendations into seven topical areas. While the 84 recommendations are more than last year's 47 recommendations, this year's audit required us to perform more testing as we audited more colleges for reaffirmation of accreditation purposes. For this reason, and the fact that we do not issue an opinion on internal controls and considering we annually change the colleges subject to testing based on risk, we do not suggest comparing the total number of recommendations from one year to another to conclude on the overall health of internal controls for the System. However, we support management completing its own analysis of this year's recommendations to determine whether a systemwide solution for corrective action may benefit all colleges in the System.

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, became effective for fiscal year 2022. Under this new standard, operating and capital leases no longer exist as GASB now requires governments to report all leases as financing transactions, which results in recording an intangible right-to-use asset and a liability for every lease except short term leases (less than 12 months or under the \$50,000 financial reporting threshold adopted by the System). We issued a finding to the System Office and all seven colleges where we tested GASB 87 reporting related to the System Office's and Colleges' planning and preparation for the implementation of this new accounting standard.

As in the prior year, our analysis of this year's recommendations indicates that colleges are having challenges with managing system access, mainly with deactivating a user's access to systems in a timely manner upon the employee's termination from the System (8 recommendations). We assigned the recommendations related to deactivating a terminated user's access the topic of human resources and payroll, rather than access control, as we found that the colleges were having interdepartmental challenges with terminating employee access. We also reported multiple recommendations in the areas of student financial assistance and related information security (48), human resources and payroll not related to terminations (6), capital assets (5), access control (4), and financial accounting and reporting not related to GASB 87 (3).

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JMR/clj

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

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

- Northern Virginia Community College (Northern Virginia)
- Tidewater Community College (Tidewater)
- John Tyler Community College (John Tyler)
- Lord Fairfax Community College (Lord Fairfax)
- Virginia Western Community College (Virginia Western)
- Germanna Community College (Germanna)
- Southside Virginia Community College (Southside Virginia)
- Eastern Shore Community College (Eastern Shore)
- Patrick Henry Community College (Patrick Henry)
- New River Community College (New River)
- Piedmont Virginia Community College (Piedmont Virginia)
- Dabney S. Lancaster Community College (Dabney S. Lancaster)
- Central Virginia Community College (Central Virginia)
- Virginia Highlands Community College (Virginia Highlands)

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 2015-2021 findings that we did not consider resolved prior to 2022. 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.

SYSTEM OFFICE

2022-01: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System Office did not adequately plan and prepare for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, which provided preparers of financial statements additional time to prepare. However, the System Office's implementation process was still deficient in the following areas:

- The Financial Services Department (Department) did not review contract documents or work with other departments within the System Office or community colleges to identify the complete population of leases for the System. As a result, there were 12 out of the 25 (48%) System locations that did not properly evaluate all contracts to determine if they met lease reporting requirements. In addition, two of these locations did not include any leases in the lease accounting system.
- The Department did not consistently determine the lease term and asset grouping of leases across all contracts within the System. As a result, this led to inappropriately classifying long-term leases as short-term leases, which are subject to less reporting requirements.
- The Department did not collect nor report variable costs associated with the System Office's and 23 community colleges' leases for disclosure within the financial statements.
- The Department did not develop implementation policies and procedures to ensure consistent application across contracts and the 25 System locations.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the organization incurred the obligation for those payments. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topics 31205-31220 states that all agencies must follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

The accurate and consistent accounting for new standards requires the coordination of the individual colleges and the System Office. The System Office should work with the colleges to determine

the proper accounting treatment and provide detailed guidance to the colleges as needed to ensure consistent reporting. Additionally, the System Office should perform a detailed review of the financial information prepared by the colleges before compiling the financial statements. The review should ensure proper application of accounting standards and consistent treatment of similar items among the colleges.

The System Office did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. The System Office should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the Financial Services Division reports these amounts to the System Office for inclusion in the financial statements. In addition, the System Office should perform an evaluation over all contracts to ensure the Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-02: Improve Database Security

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The System Office does not document nor implement some required and/or recommended controls that will improve the security posture of the database supporting its student system of record.

The System Office adopts the International Organization for Standardization (ISO) and International Electrotechnical Commission Standard (IEC) 27002:2022 (ISO Standard) to establish information security controls in its Information Technology (IT) environment. The ISO Standard requires that organizations document and implement certain controls to adequately protect sensitive data (ISO Standard, sections 5.37 Documented Operating Procedures, 8.27 Secure System Architecture and Engineering Principles). Additionally, industry best practices, such as those published by the Center for Internet Security (CIS Benchmark), assist organizations with implementing technology-specific controls to improve security posture.

During our review, we identified five control weaknesses that do not meet the requirements of the ISO Standard, or, in some cases, the CIS Benchmark recommended settings and the System Office does not have written justification for the exceptions. We communicated the control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Formal operating procedures should include details of the System Office's expected security settings and configurations that are based on its internal policies, the ISO Standard, and consideration of industry best practices, like the CIS Benchmark. The operating procedures should also include the System Office's evaluation of configuration controls and settings, justifications for deviating from the expected security setting, and the compensating controls in place to reduce the associated risks. Without detailed operating procedures, the System Office increases the risk that the System will not meet the minimum-security requirements and recommendations to protect data from malicious parties.

While the System Office uses the vendor-supplied installation guide and its Database Administration Policies and Procedures, the documents do not reflect details of expected security configuration settings and documented and approved deviations from its policies, procedures, and industry best practices based on operational requirements. Additionally, the System Office has experienced high turnover that resulted in limited resources, so it has not been able to consistently evaluate and apply the necessary security controls.

The System Office should develop and implement formal operating procedures to support its database based on the ISO Standard requirements and settings recommended by industry best practices, such as the CIS Benchmark. As part of this, the System Office should implement the security controls and processes as discussed in the FOIAE communication to address the risks present in the database to ensure the configuration aligns with the ISO Standard and CIS Benchmark. For controls the System Office cannot implement as required or recommended, the System Office should define deviations from recommended and expected security configurations and its business justification, compensating controls, and approval for the deviation. Additionally, the System Office should develop a process to review the database's configuration against its established hardening procedure and CIS Benchmark on a scheduled basis and after major changes occur to help detect and address potential misconfigurations timely. This will help maintain the confidentiality, availability, and integrity of the System Office's sensitive and mission critical data and meet the requirements in the ISO Standard.

2022-03: Improve Policies and Procedures for Capital Assets

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2021 as 2021-02)

The System Office's policies and procedures related to Capital Assets do not address how they will comply with certain financial reporting and CAPP Manual requirements. The policies and procedures for Capital Assets do not provide guidance over construction-in-progress related tracking, recording correct acquisition dates, recording assets timely, capitalizing assets properly including transfers of capital assets, the impairment of assets, or how to determine service concession arrangements. The current Capital Asset policies and procedures that the System Office utilizes omits or overlooks important information. The System Office Financial Services Manager relies heavily on the individual community colleges to report accurate information, to track, record, capitalize, verify, and dispose of

assets. In addition, the System Office Financial Services Manager does not adequately review capital asset information reported by the community colleges for reasonableness. As a result, we noted the following during testwork:

- John Tyler has not recorded capital assets within the asset management system, which is a module within the System's financial accounting system, since fiscal year 2017 resulting in the System Office recording a reoccurring adjusting entry totaling \$1.6 million for fiscal year 2017 to 2020 that the System Office first recorded in 2021. In addition, John Tyler did not properly evaluate \$5 million in potential capital asset purchases in fiscal year 2021 and 2022 to determine if the college should record the purchases capital assets. John Tyler only recorded \$264,027 of these purchases as capital assets.
- Northern Virginia is not properly recording the acquisition date for new capital assets. For six out of eight (75%) equipment assets tested, staff recorded the incorrect acquisition date in the asset management system. The recorded acquisition dates for the assets tested are between 54 and 243 days after the physical receipt of the asset.
- Piedmont Virginia did not conduct an adequate inventory to ensure the college is properly tagging and recording capital assets in the asset management system.
- Tidewater did not conduct an adequate inventory to ensure the college is properly tagging and recording capital assets in the asset management system.

CAPP Manual Topic 30105 requires agencies to have policies and procedures in place to ensure the proper recording, tracking, and safeguarding of all agency owned capital assets. These policies and procedures should include areas such as construction in progress, acquisition methods, additions, disposals, and physical inventory. Without capital asset policies and procedures that address all required areas, there can be inconsistent treatment of capital assets across the community colleges which could result in misclassifications of amounts affecting the footnotes and financial statement line items such as non-depreciable capital assets, depreciable capital assets, and net investment in capital assets. In addition, having policies and procedures in place ensures continuity of operations when experiencing transitions and restructuring due to staff turnover and retirement of personnel in key functions.

The System Office should update, implement, and follow the capital assets policies and procedures to ensure compliance with all relevant CAPP Manual Topics. The System Office should disseminate these updated policies and procedures to the community colleges to ensure consistency in capital asset reporting. Additionally, the System Office should perform an analysis of information received from the community colleges to ensure that it reflects the information needed to aid the System Office in proper financial reporting.

2022-04: Properly Report Current and Noncurrent Prepaid Expenses**Topic:** Financial Accounting and Reporting**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

The System Office does not perform an analysis of prepaid expenses to determine whether to report the prepaid expenses as current assets or noncurrent assets. As a result of our review, the System Office reclassified \$1.9 million originally recorded as current prepaid expenses to noncurrent prepaid expenses for prepayment of certain IT services and subscriptions pertaining to fiscal years 2024 and 2025.

In accordance with generally accepted accounting principles (GAAP), accrual accounting requires the financial reporting of expenditures in the fiscal year and period in which the System receives the goods or services. A prepaid expense is an expenditure paid for in one accounting period, but for which the System will not consume the underlying asset until a future period. When the System eventually consumes the assets, the System will report the expense.

The System Office did not perform an analysis of prepaid expenses because the System Office assumed all prepaid expenses were current based on the CAPP Manual requirement that prepaid expenses not exceed a 12-month period. However, the General Assembly granted the System the authority to procure IT services independently and can procure IT licensing agreements for periods greater than 12 months if there are documented cost savings. Additionally, the community colleges submit financial schedules to the System Office, to aid in the preparation of the financial statements, requests the individual colleges to categorize prepaid expenses only by program. There is no request or ability for the community colleges to separately report prepaid expenses by current and noncurrent.

Inaccurate financial information can affect long-term planning and the decisions of those individuals or institutions that rely on such information. The System Office should evaluate current procedures for recording prepaid expenses that the community colleges submit in the financial schedules for inclusion in the annual financial statements. The System Office should ensure that community colleges can report current and noncurrent prepaid expenses separately on the financial schedules.

2022-05: Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports

Topic: Procurement/Contract Management

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2019 as 2019-05)

While the System Office has worked to develop comprehensive policies and procedures over the review of third-party service providers' Service Organization Controls (SOC) reports, and for reacting to the reports by ensuring related complimentary user entity controls (CUECs), each community college using the services has yet to implement these procedures. SOC report reviews are a key internal control as the System Office, community colleges, and Shared Services contracts with service organizations and these organizations' transactions and internal control environments have a direct impact on the System's financial operations. Although the System Office's process for SOC report reviews requires the System Office, the individual community colleges, and Shared Services to complete a variety of forms, the System Office was not able to provide documentation indicating they sufficiently utilized their newly designed procedures to review the SOC reports. In addition, the System Office could not provide documentation describing the actions taken to ensure the proper implementation and design of CUECs.

In response to a recommendation for fiscal year 2021, first issued in 2019, the Controller for the System Office developed a process for gathering SOC report information from the community colleges. While the Controller has sufficiently designed these procedures, the System Office has not fully implemented the process, which makes the corrective action incomplete.

CAPP Manual Topic 10305 requires agencies to have adequate interaction with service providers to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over the provider to gain assurance over outsourced operations. SOC reports are a key tool in gaining an understanding of the provider's internal control environment and maintaining oversight over outsourced operations.

Without fully implementing the written comprehensive policies and procedures over SOC report reviews, the System Office may be unable to ensure that the community colleges obtain sufficient oversight over the use of third-party services. The System Office and each community college may not be able to ensure their CUECs are sufficient to support their reliance on the service providers' internal control design, implementation, and operating effectiveness. In addition, System Office may face challenges in demonstrating that it is properly addressing any internal control deficiencies and/or exceptions noted in the SOC reports.

The System should ensure they implement the recently developed policies and procedures to conduct a sufficient review of SOC reports and indicate the degree of responsibility for reacting to the contents of the SOC reports, which may include designing and implementing of CUECs by the System

Office, the community colleges, and Shared Services as necessary. The System Office should ensure that management at all community colleges and Shared Services understand the importance of reacting, through the design and implementation of CUECs, sufficient to support the reliance placed on the service entity's internal control environment in accordance with CAPP guidance and industry best practices. If the System Office, the community colleges, or Shared Services identifies exceptions in the SOC reports, management should document their evaluation of the exception, including whether additional compensating controls are necessary to mitigate the risk to the Commonwealth. Finally, the System Office should ensure that they maintain adequate documentation of the SOC report reviews.

2022-06: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2019 as 2019-01)

The System has not yet addressed the inconsistency in the handling of dual enrollment tuition by the individual community colleges. When colleges are not consistent in their handling of dual enrollment transactions, it limits the System's ability to establish uniform operating procedures for these financial activities and increases the administrative costs for the colleges that accept and return funds. Additionally, when the community colleges inconsistently report similar activity, the resulting financial reporting could be misleading to a user of the financial statements when making decisions.

The System should continue to work with the community colleges to ensure the colleges consistently account for dual enrollment activity in the financial schedules, and ensure the reporting 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 as needed.

2022-07: Address Inconsistencies in Employee Personnel Records

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2020 as 2020-03)

In our 2020 report, we noted that personnel records for the System contained information that is not consistent with other official records and/or policies. Those inconsistencies provided evidence that data integrity errors exist within the Systems' human resource system. We noted system-wide inconsistencies related to differences in employee start dates for 325 out of the 4,877 (7%) salaried employees reviewed, which affects leave accrual rates and the reported compensated absences liability. Inconsistent information related to employees' years of service may result in those employees accruing or receiving payment for more or less than their entitled amount of leave. System-wide data integrity

issues in the human resource system can also result in misstatements to the System's financial statements.

In 2021 the corrective action taken by the System occurred after the period under audit, thus we deferred our evaluation to 2022. To appropriately identify and correct inconsistencies in its personnel records, community college human resource employees reviewed personnel records and human resource data and made changes where necessary. Additionally, the System Office performed the following:

- Communicated audit finding concerns to the Chief Human Resource Officers of all the System's community colleges to support their review and correction of personnel records that show inconsistencies with other systems and policies;
- Added a standing agenda item for the bi-weekly system-wide meetings with the Chief Human Resource Officer through the corrective action date of March 31, 2022;
- Reviewed and updated system-wide policies and procedures to support the correct input, update, and reconciliation of data in the human resource system to address the inconsistencies;
- Communicated to all employees involved with the review, input, and reconciliation of this data the action plan and expectations on correcting the issues; and
- Revised the leave liability query to identify employees with inconsistent and unusual leave balances.

Our audit included a review of salaried employee start dates for the colleges in-cycle for audit testing and noted start dates with more than 180 days of variance between the System's human resource system and the Commonwealth's human resource system for five percent of employees tested (116 out of 2,362). In 2020, we identified an error rate of 6.7 percent (325 out of 4,877). In addition to the risks associated with inconsistent employee start dates identified in our 2020 report, we note the additional risk that employee personnel data transferred to the Commonwealth's human resource and payroll management system is not accurate and reliable.

In addition to the corrective steps the colleges performed regarding employee personnel records, the individual colleges performed substantial reviews of employee data as part of the transition from the System's human resource system to the Commonwealth's human resource and payroll management system that occurred during fiscal year 2023. The System should perform additional 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 ensure all staff entering data into the human resource systems have adequate training and resources available on properly setting up and maintaining employee personnel records.

SHARED SERVICES CENTER

2022-08: Perform Annual Access Review of the Commonwealth's Retirement Benefits System

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Shared Services does not have adequate controls in place to ensure that system access to the Commonwealth's retirement benefits system is appropriate. Shared Services has a business partnership agreement with John Tyler through the Virginia Retirement System (Retirement System). John Tyler established the original business partnership agreement with Shared Services through the Retirement System to enable Shared Services employees the ability to view the retirement benefits system information for hiring purposes; however, this level of access is no longer necessary. This resulted in eight users having unnecessary access based on the concept of least privilege, including two users that are no longer employed by Shared Services but not removed from the business partnership agreement after termination.

The System's IT Security Standard Section 9.2 – User Access Management states that the System must allocate privileges 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 college should use the principle of least privilege in the assignment of security roles and responsibilities. Additionally, an organization must disable system access within five business days of employee separation and terminate any authenticators or credentials associated with the individual. Further, management should review users' access rights at regular intervals, at least annually, and after any changes in employment. Moreover, according to the Retirement System Employer Manual, the Retirement System requires each employer's Primary Security Administrator and Primary Administrative Authority to perform periodic reviews of their contracts in the retirement benefits system and to certify the accuracy of their review.

Allowing excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data. Delays in deleting access increases the risk of unauthorized use of the retirement benefits system, which could result in unauthorized changes and impair data integrity. According to Shared Services, they terminated access to the retirement benefits system for both employees timely and assumed John Tyler would terminate the Business Partner role as well. Shared Services failed to review annually that users still require access to the system based on the principle of least privilege and employment at the Shared Services.

Shared Services should implement a process to ensure the timely removal of unneeded access to the retirement benefits system and perform regular reviews of access.

NORTHERN VIRGINIA COMMUNITY COLLEGE

2022-09: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of financial statements additional time to prepare. However, Northern Virginia's implementation process was still deficient in the following areas:

- The Business Office did not review contract documents nor work with other departments within Northern Virginia to identify the complete population of leases. As a result, the Business Office did not perform an evaluation of leased copiers, postage meters, or related party leases with their Foundations to determine if they met the GASB 87 lease reporting requirements.
- The Business Office did not consistently determine the lease term across all contracts. We reviewed four long-term leases and found for one out of four (25%) the Business Office recorded a lease term of 15 months in the lease accounting system instead of three months as indicated by the contract terms. As a result, Northern Virginia inappropriately classified the lease as a long-term lease.
- The Business Office did not report variable costs associated with Northern Virginia's leases to the System Office for separate disclosure within the financial statements. Instead, the Business Office included variable costs such as tenant improvements and space planning allowances in the lease payment streams.
- The Business Office inappropriately included non-lease items, such as operating expenses, in the lease payment streams Northern Virginia entered in the lease accounting system.
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for

those payments. CAPP Manual Topics 31205-31220 state all agencies must follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement. Northern Virginia did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard.

Northern Virginia should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the college accurately reports this information to the System Office for inclusion in the System's financial statements. In addition, the Business Office should perform an evaluation over Northern Virginia's contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-10: Properly Record Asset Acquisition Date

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia is not properly recording the acquisition date for new capital assets. For six out of eight (75%) equipment assets tested, staff recorded the incorrect acquisition date in the asset management system. The recorded acquisition dates for the assets tested are between 54 and 243 days after the physical receipt of the asset.

CAPP Manual topic 30205 states that agencies should record assets as soon as possible after title passes. It further states that the title is to pass on the date the agency receives the equipment. Additionally, CAPP Manual topic 30610 requires that agencies properly record the acquisition date so that the agency can accurately calculate depreciation.

Without proper recording of equipment assets, Northern Virginia increases the risk of inaccurate reporting of capital assets in the financial statements. The System calculates depreciation based on asset acquisition cost, useful life, and acquisition date. When the college records the wrong acquisition date it impacts the depreciation calculation. Additionally, when the college records a later acquisition date, it increases the risk that the college will record an asset in the wrong fiscal year.

Northern Virginia is using the date the asset tagging process is complete as the asset acquisition date. Many times, departments receive equipment deliveries directly and the department does not notify the Warehouse Manager or Storekeeper of the delivery, resulting in a delay in the tagging process.

Northern Virginia should communicate to responsible staff the importance of entering capitalized assets into the asset management system with the correct acquisition dates. Northern Virginia should ensure that departments notify the Warehouse Manager or Storekeeper as soon as the department receives the equipment to allow for timely recording in the asset management system.

2022-11: Improve the Monitoring of Critical Systems Access

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2021 as 2021-09)

Northern Virginia did not complete all necessary adjustments to employee access within the student information system and the human resource system to eliminate segregation of duties concerns that we identified during the prior year's audit. We identified the following deficiencies related to the monitoring and maintenance of critical system access at Northern Virginia based on the concept of segregation of duties:

- Thirty-two out of 32 (100%) users tested had access to 51 out of 54 (94%) role combinations that were conflicting based on the concept of segregation of duties within the System's student information system. This resulted in Northern Virginia needing to remove 60 out of the 102 roles tested. Sixteen of the 32 users (50%) were repeat exceptions found in fiscal year 2021.
- Four out of 197 (2%) users tested had access to role combinations that were conflicting based on the concept of segregation of duties within the System's human resource system. These were repeat exceptions found in fiscal year 2021.

We conducted testwork in accordance with the System's Role Reference Guide 9.2, which identifies access roles that are critical based on potentially conflicting roles and on the concept of segregation of duties. For segregation of duties, the System's Security Standard, section 12.1 states that "segregation of duties will be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse."

By not properly monitoring critical system access, Northern Virginia may increase the risk of compromising data integrity and may also increase unnecessary exposure to sensitive data. In the case where there is no appropriate segregation of duties, there is an increased risk in the occurrence of negligent or deliberate system misuse, and that users can circumvent other compensating controls and perform unauthorized transactions. Northern Virginia's account procedures over the student information system do not address the granting and maintenance of access with respect to appropriate segregation of duties. During Northern Virginia's annual security access review, management did not effectively follow-up with supervisors that did not respond to access verification requests, which

resulted in users retaining access without appropriate monitoring. Additionally, Northern Virginia did not identify and remove unnecessary or conflicting user access roles during annual user access reviews.

Management should evaluate and review the procedures for granting, monitoring, and removing critical system access and ensure that the college is assigning roles and privileges appropriately to prevent segregation of duties concerns as referenced in the System's Role Reference Guide 9.2. Additionally, management should perform applicable follow-ups to ensure that supervisors respond to the annual security access reviews appropriately and timely to allow for effective access monitoring.

2022-12: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2019 as 2019-11)

Northern Virginia did not consistently adhere to its policies and procedures pertaining to timely removal of systems access for terminated employees. In total, Northern Virginia did not remove internal system access in a timely manner for 15 out of 26 (58%) terminated employees tested.

- For seven out of eight wage employees (88%) tested, Northern Virginia did not remove system access for terminated employees within five business days of termination. The college removed access between nine and 90 days after the official date of termination.
- For eight out of eleven adjunct employees (73%) tested, Northern Virginia did not remove system access for terminated employees within five business days from the employee not working three consecutive semesters. The college removed access between 11 and 147 days after the official date of termination.

Additionally, Northern Virginia's payroll security officers did not terminate employee access to the Commonwealth's payroll system for a terminated employee within five business days after the date of termination. The payroll security officer dated a request to remove access 89 business days beyond the date of termination.

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

Timely communication between supervisors of several departments to human resources continues to be a challenge for those employees who terminate without notification, which results in

untimely access removal. By not removing system access timely, Northern Virginia increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely removal of systems access exposes Northern Virginia to inappropriate activity by individuals no longer employed by the agency.

Northern Virginia should strengthen communication between supervisors, Human Resources, and the IT Department to reduce instances in which the length of time between employee termination and removal of system access exceeds five business days. Northern Virginia should provide additional training as needed to members of the departments to improve the timeliness of the IT Department's removal of system access for terminated employees.

2022-13: Comply with Employment Eligibility Requirements

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

During fiscal year 2022, Northern Virginia did not consistently adhere to compliance standards pertaining to completion and retention of Employment Eligibility Verification Form I-9 (Form I-9) in accordance with guidelines issued by United States Citizenship and Immigration Services of the Department of Homeland Security (Homeland Security). We noted the following deficiencies:

- For three out of 24 employees tested (13%), Northern Virginia did not ensure the employee completed all required fields of Section 1 of Form I-9;
- For five out of 24 of employees tested (21%), Northern Virginia did not complete all required fields of Section 2 of Form I-9;
- For three out of 19 employees tested (16%) Northern Virginia failed to retain supporting documentation pertaining to Section 2 of Form I-9; and
- For two out of 24 employees tested (8%), Northern Virginia provided only E-Verify documentation but failed to provide the original Form I-9 or any supporting documentation because the college did not retain Form I-9 and supporting documentation for these employees.

The Immigration Reform and Control Act of 1986 requires that all employees hired after November 6, 1986, have a Form I-9 completed to verify employment eligibility and identity. Homeland Security's instructions for Form I-9 Employment Eligibility Verification state that the employer is responsible for confirming the completion of Section 1 by the employee prior to the first day of employment. Additionally, the employer is responsible for completing Section 2 to include examination of evidence pertaining to employment authorization and identity within three business days of the

employee's first day of employment. The implementation of a new onboarding system at the college resulted in the loss of employee documentation.

Failure to comply with federal regulations related to employment verification could result in civil and/or criminal penalties and disbarment from government contracts. By not performing due diligence regarding Form I-9 as the Immigration Reform and Control Act of 1986 requires, Northern Virginia is in noncompliance. Northern Virginia exercised insufficient controls and procedures to guarantee proper completion of Form I-9. Northern Virginia should evaluate its current procedures pertaining to the completion and retention of Form I-9 and implement corrective action to prevent future instances of noncompliance.

TIDEWATER COMMUNITY COLLEGE

2022-14: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Tidewater did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of the financial statements additional time to prepare. However, Tidewater's implementation process was still deficient in the following areas:

- The Business Office did not include all leases, short-term and long-term, in the Commonwealth's lease accounting system. In addition, they did not maintain supporting documentation of their evaluation for short-term leases resulting in the inability to identify the completeness of the lease population.
- The Business Office did not review the Commonwealth's lease accounting system to ensure that the uploaded lease data met their expectations. As a result, leases appeared as short-term leases in the system, however, the Business Office expected the leases to be long-term. For two out of two (100%) of the leases we reviewed, Tidewater improperly classified the leases as short-term leases. In addition, the Business Office omitted two to 11 years of payment streams from the lease terms in the lease accounting system.
- The Business Office did not consistently determine asset grouping of the leases across all contracts. The Business Office only entered eight out of 84 (10%) copier leases into the lease accounting system. Additionally, the Business Office only entered one out of two (50%) postage meter leases into the lease accounting system. As a result, the lease accounting system classified these leases as short-term instead of long-term.

- The Business Office did not report variable costs associated with Tidewater' leases to the System Office for disclosure within the financial statements.
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for those payments. CAPP Manual Topics 31205-31220 requires all agencies to follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement. In addition, the CAPP Manual requires agencies to enter all leases, including short-term leases, into the Commonwealth's lease accounting system.

Tidewater did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. Tidewater should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the Business Office reports these amounts to the System Office for inclusion in the financial statements. Finally, the Business Office should perform an evaluation over Tidewater's contracts to ensure the Finance Department properly captures all leases including short-term, corrects any misstated leases, and enters all lease data into the Commonwealth's lease accounting system.

2022-15: Strengthen Interdepartmental Communications Related to Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-60)

Tidewater did not consistently apply its procedures for employees that terminated employment with the college. Supervisors did not submit termination checklists within five business days of termination for five out of 30 employees (17%) employees reviewed. Checklist completion took as long as 34 business days after the last day of work. Additionally, for two out of 28 (7%) employees with access to the Commonwealth's purchasing system, Tidewater did not remove or transfer the account to a custodian within five days of the account owner's termination date.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. According to Tidewater Policy 5201 - Access to Information Systems Containing Sensitive Data Policy, access should be removed within five business days from the date the employee is terminated. Per Tidewater procedure 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 Tidewater to inappropriate activity by individuals the college no longer employs. For system access, the employees' supervisor did not timely submit the separation forms in accordance with Tidewater's policies and procedures due to hybrid nature of work, and insufficient communication.

Tidewater should continue to strengthen communications between supervisors and the Human Resources and IT Departments so that the departments can remove access timely and supervisors can timely collect physical items. Management has already taken some action by sending a college-wide communication to supervisors about submitting termination forms timely and has added a responsibility to supervisor job descriptions for supervisors to ensure that supervisors submit the employee termination information timely. Management should ensure that the Human Resource Department 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 the departments timely removed access for all terminated employees.

2022-16: Continue to Strengthen Internal Controls over Physical Inventory

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

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

During fiscal year 2022, Tidewater did not conduct an adequate inventory to ensure the college properly recorded capital assets in the asset management system. Three out of 13 (23%) capital assets selected at the college's District Office location were unable to be located.

The Department of Accounts' (Accounts) CAPP Manual Topic 30505 requires, "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 Office's Capital Asset Policies and Procedures Manual requires custodians to complete a Physical Inventory Discrepancy Form when the custodians cannot locate the assets during the physical inventory process. The Fixed Asset Manager should then review the Physical Inventory Discrepancy Forms and ensure the custodians made the necessary adjustments in the asset management system. Additionally, the System Office's Capital Asset Policies and Procedures Manual requires that if capital assets are not located by the next physical inventory date, the Fixed Asset Manager should obtain written permission from the responsible department head to delete the asset from inventory.

Insufficient tracking of Tidewater's capital assets increases the risk of misappropriation of Commonwealth property, may contribute to the inclusion of inaccurate information in the accounting information system, and may cause misstatements in the financial statements. Without proper inventory documentation, the disposition of capital assets cannot be determined. According to management, custodians did not properly track and record assets due to lack of oversight.

Tidewater should evaluate current inventory and tracking procedures and implement corrective action to ensure custodians properly monitor the capital assets in accordance with state requirements. In addition, Tidewater should improve their Inventory tracking process by holding the appropriate employees responsible for inventory within their departments. Lastly, Tidewater should perform inventory properly to identify the accurate location of capital assets or follow its procedures to dispose of items that cannot be located within two inventory cycles.

JOHN TYLER COMMUNITY COLLEGE

2022-17: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

John Tyler did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of financial statements additional time to prepare. However, John Tyler's implementation process was still deficient in the following areas:

- The Business Office did not review contract documents or work with other departments within John Tyler to identify the complete population of leases. As a result, the college did not perform an evaluation of postage machine leases to determine if they met the GASB 87 lease reporting requirements.
- The Business Office did not consistently determine the lease term and asset grouping of the leases across all contracts. As a result, the Business Office incorrectly classified long-term leases as short-term leases.
- The Business Office did not report variable costs associated with John Tyler's leases to the System Office for disclosure within the financial statements.
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation. CAPP Manual Topics 31205-31220 requires all agencies to follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

John Tyler did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. John Tyler should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure the Business Office reports these amounts to the System Office for inclusion in the financial statements. In addition, the Business Office should perform an evaluation over John Tyler's contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-18: Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2019 as 2019-15)

John Tyler did not record certain capital assets in the System's administrative system during fiscal years 2021 and 2022. During both fiscal years, John Tyler recorded over \$2.2 million of equipment expenditures which the college should have evaluated for potential capitalization. In addition, John Tyler did not properly perform a biannual physical inventory count of capital assets.

The System's Capital Assets Policies and Procedures Manual requires colleges to record the purchase of assets when the college acquires title. Colleges should also ensure all equipment it purchases and receives by June 30th is properly reflected in the college's financial schedules. In addition, per the System's Capital Assets Policies and Procedures Manual and CAPP Manual Topic 30505, agencies should perform a physical inventory of capital assets at least once every two years to properly safeguard assets and maintain fiscal accountability and reconcile the Capital asset system to the accounting system to ensure completeness. Insufficient inventory of John Tyler's physical assets increases the risk of misappropriation of college property and may contribute to the inclusion of inaccurate information in the administrative system and financial statements. A proper and effective inventory should result in an accurate accounting of all equipment in the System's asset management system.

The primary cause of the deficiencies is a lack of policies and procedures, as well as turnover in facilities staff who are responsible for performing these duties. John Tyler should perform a complete inventory of capital and controllable assets, ensure that the Business Office analyzes all expenditures of potential capital assets in the administrative system, and capitalize assets when necessary. Additionally, John Tyler should allocate sufficient resources to perform inventories in compliance with CAPP manual and System requirements. John Tyler should also develop policies and procedures over the inventory process, capital asset recordation, and the reconciliation of inventory to the System's administrative system.

2022-19: Perform Annual Access Review of the Commonwealth's Retirement Benefits System

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

John Tyler does not have adequate controls in place to ensure that system access to the retirement benefits system is appropriate. John Tyler did not perform a review of system access over the retirement benefits system, which resulted in eight users at Shared Services retaining unnecessary access to the retirement benefits system due to a business partnership agreement. John Tyler established the original business partnership agreement with Shared Services through the Retirement System to enable Shared Services employees the ability to view the retirement benefits system information for hiring purposes; however, Shared Services no longer needs this level of access. This resulted in eight users having unnecessary access, including two employees who no longer work for the System.

The System's IT Security Standard, Section 9.2.3 – Management of Privileged Access Rights, requires the allocation of privileges 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 colleges must use the principle of least privilege in the assignment of security roles and responsibilities. Further, the System IT Security Standard, Section 9.2.5 – Review of User Access Rights, requires colleges to review users' access rights at regular intervals. Additionally, according to the Retirement System Employer Manual General Information, the Retirement System requires each employee's Primary Security Administrator and Primary Administrative Authority to perform periodic reviews of their contacts in the system and to certify the accuracy of their review. Delays in removing access increases the risk of unauthorized use of the system, which could result in unauthorized changes and impair data integrity.

John Tyler should implement a process to ensure the timely removal of unneeded access to the retirement benefits system and perform regular reviews of access.

2022-20: Comply with Employment Eligibility Requirements**Topic:** Human Resources and Payroll**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

During fiscal year 2022, John Tyler did not have sufficient processes and controls over the employment eligibility process. John Tyler did not complete Form I-9 in accordance with guidelines issued by Homeland Security. We identified the following deficiencies:

- John Tyler did not complete Section 1 of Form I-9 by the employee's first day of employment for two out of six (33%) new hires;
- John Tyler did not satisfy the requirements of Section 2 of Form I-9 by not completing it within three business days of the employee's completion of Section 1 for two out of six (33%) new hires; and
- E-Verify reports were not prepared within three business days of the employee's start date for one out of six (17%) new hires.

The Immigration Reform and Control Act of 1986 requires that all employees hired after November 6, 1986, have a Form I-9 completed to verify both employment eligibility and identity. Homeland Security's Instructions for Form I-9 Employment Eligibility Verification states that the employee must sign I-9 form on the first day of employment or before if they accepted the job offer, and not later. Employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the employee's first day of employment. Additionally, the Homeland Security's E-Verify User Manual states that employers who participate in E-Verify must create a case for each newly hired employee no later than the third business day after the employee starts work for pay.

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

LORD FAIRFAX COMMUNITY COLLEGE

2022-21: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Lord Fairfax does not conduct risk assessments over its sensitive systems and IT environment. Subsequently, Lord Fairfax's information security program is not in compliance with the Gramm-Leach-Bliley Act (GLBA).

Institutions of higher education, because of their engagement in financial assistance programs, must comply with Public Law 106-102, known as the GLBA. Related regulations in 16 U.S. Code of Federal Regulations (CFR) 314.4 requires organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment that includes consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following:

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

Additionally, the ISO and the ISO Standard require organizations to conduct an information security-specific risk assessment to assess risks to the organization. The college should use the risk assessment to determine the controls necessary to mitigate those risks or reduce the impact of the risk to a level that is reasonably acceptable by the college (ISO Standard, sections 0.2 Information Security Requirements, 0.4 Determining Controls).

Without performing the risk assessment process and considering all GLBA required elements, Lord Fairfax may not be able to ensure the confidentiality, integrity, and availability of customer information. Additionally, not completing risk assessments may result in improper or insufficient controls to protect against known threats or hazards.

Recent turnover and staffing constraints caused Lord Fairfax to be unaware of the ISO Standard and GLBA requirements and completing risk assessments. Lord Fairfax has obtained a new Chief Information Officer and has hired a third-party provider for assistance in completing risk assessments that evaluate all elements required by GLBA.

Lord Fairfax should continue its efforts to create and evaluate college-specific risk assessments that include all risks GLBA prescribes. As part of the risk assessment process, Lord Fairfax should identify safeguards that are either in place or missing to mitigate the risks identified within the risk assessment. Lord Fairfax should develop a corrective action plan to implement any missing safeguards. This process will help Lord Fairfax in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

2022-22: Perform an Evaluation of Student Information System Access Roles for College Personnel

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Lord Fairfax has not properly granted the student information system roles and privileges for college personnel. The System Office has established a student information system access matrix which defines financial aid access roles within each college and restrictions on granting such access. The underlying cause for the improper access is related to an approach management adopted that does not fully align with the matrix. Lord Fairfax personnel granted 44 non-financial aid employees' access to at least one financial aid role deemed restricted to only financial aid employees. By management not properly assigning access based on job responsibilities, Lord Fairfax may be subject to improper access levels that violate the concept of least privilege nor allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access control systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

With the assistance of System Office information security personnel, management should perform a thorough evaluation of employees to ensure that the college is granting student information system roles based upon the concept of least privilege and job responsibilities.

2022-23: Strengthen the Schedule of Expenditures of Federal Awards Review Process**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Lord Fairfax Business Office personnel did not properly prepare an accurate Schedule of Expenditures of Federal Awards (SEFA), a schedule that details the amounts of federal expenditures for fiscal year 2022. The Business Office understated the amount of Education Stabilization expenditures by \$4,339,266 and federal Direct Loan expenditures by \$890,799. The underlying cause of the error is due to insufficient management oversight.

In accordance with 2 CFR § 200.510(b), “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with § 200.502.” Accounts’ Comptroller’s Directive 2-22 provides specific directions for compiling the SEFA and supporting schedules, including the “total amount provided to subrecipients from each federal program,” to support its preparation of the Commonwealth’s SEFA and related disclosures. Providing inaccurate schedules to Accounts could result in a misstatement in the Commonwealth’s SEFA and related disclosures.

Management should strengthen its current SEFA review process to include a comparison of the federal expenditures reported on the SEFA to the amount of completed payments/drawdowns during the fiscal year on the federal grants management system report.

2022-24: Improve Reporting to National Student Loan Data System**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Lord Fairfax personnel did not report accurate and timely enrollment data to the National Student Loan Data System (NSLDS) for students that graduated, withdrew, or had an enrollment level change. The underlying cause for the untimely reporting is due to insufficient management oversight. In our review of 50 students, we noted the following noncompliance:

- The enrollment level status was not accurate for seven students (14%);
- The effective date of the applicable enrollment status change was not accurate for 15 students (30%);
- Lord Fairfax did not report enrollment changes timely for 18 students (36%); and

- At least one critical campus or program level field was inaccurate for 18 students (36%).

In accordance with 34 CFR § 685.309 and further outlined in the U.S. Department of Education's (Education's) NSLDS Enrollment Guide, institutions must report enrollment changes to NSLDS within 30 days of when attendance changes occur. The accuracy of Title IV enrollment data depends heavily on information institutions report. The untimely submission of inaccurate data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Lord Fairfax management should implement corrective action to ensure that the college is reporting accurate and timely student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-25: Improve Return of Title IV Calculation Processes

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Lord Fairfax personnel did not properly perform return of Title IV calculations for aid year 2022. Lord Fairfax personnel incorrectly calculated the number of days in the period of enrollment for spring 2022 due to the college including an inaccurate number of break days within each calculation. The underlying cause of the miscalculation was due to a lack of management oversight. Improperly calculating and/or not timely returning unearned Title IV funds to Education may result in adverse actions and impact the institution's participation in Title IV programs. In our review of the return of Title IV calculations we found the following discrepancies:

- For fall 2021, a payment to Education for one student was untimely;
- For spring 2022, Lord Fairfax did not offer classes on the Sunday prior to spring break, hence 100% of calculations for spring were inaccurate since the number of break days were eight rather than the seven Lord Fairfax used to complete calculations; and
- Due to spring inaccuracies, Lord Fairfax did not pay post-withdrawal payments to students and payments to Education in accordance with federal requirements.

In accordance with 34 CFR § 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The total number of calendar days in a payment period, or period of enrollment, includes all days within the period that the student completed, except scheduled breaks

of at least five consecutive days. Further, as required in 34 CFR § 668.22(b)(1), the institution must disburse directly to a student any amount of post-withdrawal disbursement of grant funds that the institution does not credit to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. Lastly, in accordance with 34 CFR § 668.22(j)(1), an institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Lord Fairfax personnel should include the correct number of break days in the period of enrollment and in the student information system. Lord Fairfax should ensure that payments to students and Education are accurate.

2022-26: Improve Federal Direct Loan Reconciliations

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Lord Fairfax personnel did not provide sufficient documentation to show the college performed federal Direct Loan reconciliations monthly nor documented and timely addressed reconciling items. Lord Fairfax personnel complete a reconciliation of the federal bank account; however, the college did not pull the School Account Statement (SAS) for all months during fiscal year 2022 for incorporation into the reconciliation process. The underlying cause for the untimely reporting is due to insufficient management oversight.

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

By not documenting a monthly reconciliation of the SAS, Lord Fairfax places itself at risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions that may impact participation by the institution in Title IV programs.

The Business Office and Financial Aid Office should collaborate on improving the federal Direct Loan reconciliation process. Specifically, the two offices should retain sufficient audit documentation, including the reason for reconciling items within the report and/or the ending cash balance on the SAS,

and address reconciling items timely. Management should implement corrective action to ensure future compliance.

2022-27: Improve Notification Process for Federal Awards to Students

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Lord Fairfax did not properly notify students awarded federal Direct Loans. Specifically, for two of 25 (8%) students tested, Lord Fairfax personnel did not provide the required federal Direct Loan notification for fall 2021. The Financial Aid Office uses an automated system to send the required student loan notifications. The underlying cause of the noncompliance is due to insufficient management oversight. Failure to properly notify students in accordance with federal regulations may impact the institution's participation in Title IV programs.

In accordance with 34 CFR § 668.165(a)(1) & (2), institutions must notify a student of the amount of funds that they or their parents can expect to receive under each Title IV program, including the nature and timing of the disbursement. Additionally, institutions must 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.

The Financial Aid Office should ensure that loan recipients receive the required notification in accordance with federal requirements. Management should implement corrective action to ensure future compliance.

VIRGINIA WESTERN COMMUNITY COLLEGE

2022-28: Reconcile Federal Fund Accounts

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

During aid year 2022, the Business Office at Virginia Western could not provide adequate documentation detailing monthly reconciliations between its automated accounting records and Education's grant management system. The CFR requires that institutions complete a monthly reconciliation between federal systems and the institution's internal records. Additionally, when Business Office personnel completed the reconciliations, staff did not create an audit trail documenting who performed and reviewed the reconciliations, nor the timeliness of completion. Virginia Western management indicated it reconciles its student accounts to Education's grant management system when

the Business Office posts awards to students' accounts. The underlying cause of the untimely reconciliations is a misunderstanding of the CFR requirements by Virginia Western personnel.

In accordance with 34 CFR § 685.300(b)(5) and 34 CFR § 685.102(b), institutions must reconcile institutional records with Direct Loan funds received and Direct Loan disbursement records submitted and accepted. By not reconciling federal student aid programs monthly as required, Virginia Western increases its risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and impact participation by the institution in Title IV programs. Virginia Western should ensure the Business Office completes reconciliations monthly and retains documentation for audit purposes.

2022-29: Improve Federal Direct Loan Reconciliations

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Western Financial Aid Office personnel were unable to provide sufficient documentation to show that the Financial Aid Office performed federal Direct Loan reconciliations monthly nor documented and timely addressed reconciling items. The underlying cause for the untimely completion of monthly reconciliations is staff turnover in the Financial Aid Office. Specifically, we noted the following instances of noncompliance:

For two of two months (100%), Financial Aid Office personnel did not reconcile the ending cash balances recorded on the monthly SAS reports to their internal records or the Business Office records. Financial Aid Office personnel did not identify and resolve differences between the cash disbursed through the Federal common origination and disbursement system and the cash disbursed by the business office. By not reconciling, financial aid personnel did not verify the presence of excess cash.

In accordance with 34 CFR § 685.300(b)(5) institutions must reconcile institutional records with Direct Loan funds received from Education and Direct Loan disbursement records submitted to and accepted by Education. Each month, the Federal common origination and disbursement 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. Volume 4, Chapter 6 (Reconciliation in the Direct Loan Program) of the Federal Student Aid Handbook details the reconciliation requirements.

By not completing a monthly reconciliation of federal Direct Loans, Virginia Western places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions that impact the institution's participation in Title IV programs.

The Financial Aid Office should collaborate with the Business Office on improving the federal Direct Loan reconciliation process. Specifically, the Financial Aid Office should reconcile the ending cash balance on the SAS and address reconciling items timely. Management should implement corrective action to ensure future compliance.

2022-30: Properly Reconcile Federal Bank Accounts

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Western Business Office personnel did not adequately reconcile the federal funds and the pass-through bank accounts. During aid year 2022, for both accounts, Virginia Western did not resolve reconciling items timely nor consistently generate and retain the monthly accounting reports with the reconciliations. The underlying cause for the noncompliance is Virginia Western Business Office personnel not having adequate training in this area.

In accordance with 34 CFR § 685.300(b)(5), 34 CFR § 675.19(b)(2)(iv) and 34 CFR § 676.19(b)(2), institutions must establish and maintain program and fiscal records, including federal Direct Loans and campus-based programs, and perform a monthly reconciliation. By not properly reconciling the federal bank and the pass-through bank accounts monthly, Virginia Western 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 impact the institution's participation in Title IV programs.

Virginia Western should improve its documentation of monthly bank reconciliations and promptly resolve reconciling items. Management should provide additional training to staff completing the monthly bank reconciliations. Management should take corrective action to resolve reconciling items.

2022-31: Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Western has not properly granted the student information system roles and privileges for Financial Aid Office personnel for five of the seven users (71%) reviewed. The underlying cause for the improper access is due to insufficient management oversight. By not having access assigned based upon job responsibilities, the Financial Aid Office may be subject to improper access levels which are not based upon the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

Management should perform a thorough evaluation of employees to ensure that Virginia Western is granting student information system roles based upon the concept of least privilege and job responsibilities.

2022-32: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Western personnel did not report accurate and timely enrollment data to the NSLDS for students that withdrew or had an enrollment level change. The underlying cause for the untimely reporting is due to insufficient management oversight. From a review of 25 students, we noted the following noncompliance:

- The enrollment level status was not accurate for five students (20%);
- The effective date of the applicable enrollment status change was not accurate for five students (20%);
- Virginia Western did not report enrollment changes timely for seven students (28%); and
- At least one campus or program level critical field was inaccurate for five students (20%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information institutions reported. Virginia Western's untimely submission of inaccurate data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Virginia Western management should implement corrective action to ensure that the college is reporting accurate student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-33: Ensure an Accurate FISAP is Submitted to Department of Education

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Western's Financial Aid Office personnel inaccurately reported Field 22 – Total Tuition and Fees in Section II of the College's Fiscal Operations Report and Application to Participate (FISAP) for 2021. The underlying cause for the overstatement of \$1,848,602 is due to insufficient management oversight.

In accordance with 34 CFR § 675.19 (b)(3) and 676.19(b)(3), each year an institution shall submit a FISAP plus other information the Secretary of Education (Secretary) requires. The institution shall report accurate information on the form and submit it at the time the Secretary specifies. The FISAP instructions provided by Education further informs institutions of what to report in Section II, Field 22. 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, Education does not have accurate information to make funding decisions. Management should review FISAP instructions and ensure the Financial Aid Office personnel properly report amounts in Section II, Field 22 of the FISAP.

GERMANNA COMMUNITY COLLEGE

2022-34: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Germanna did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of financial statements additional time to prepare. However, Germanna's implementation process was still deficient in the following areas:

- The Business Office did not review contract documents or work with other departments within Germanna to identify the complete population of leases. As a result, they did not perform an evaluation of a vehicle lease with the Department of General Services to determine if it met the GASB 87 lease reporting requirements;
- The Business Office did not consistently determine the lease term for the leases across all contracts. We reviewed two long-term leases and found one (50%) had two additional months for the lease term in the lease accounting system;
- The Business Office did not consistently determine the asset grouping of leases across all contracts. We reviewed three short-term leases and noted they were from the same vendor for copiers with the same terms, however, the Business Office entered the leases into the lease accounting system individually instead of grouping them into one lease;
- The Business Office did not report variable costs associated with Germanna's leases to the System Office for disclosure within the financial statements; and
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for those payments. CAPP Manual Topics 31205-31220 state all agencies must follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

Germanna did not have an accurate understanding of GASB 87 to properly plan, prepare, and implement the standard. Germanna should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the Business Office reports these amounts to the System Office for inclusion in the financial statements. In addition, they should perform an evaluation over Germanna contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-35: Develop and Implement Policies and Procedures for Employee Terminations

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-51)

Germanna did not consistently adhere to its policies and procedures pertaining to timely removal of systems access for terminated employees.

- For ten out of 14 employees tested (71%), Germanna did not remove systems access within five business days of termination. Germanna removed the employees' access between 10 and 256 days after the official date of termination; and
- Germanna failed to keep records for returned items including, but not limited to, charge cards, travel cards, and keys for three out of four (75%) salaried employees tested.

In these instances, breakdowns in communication between supervisors and the other departments resulted in delays, leading to untimely or lack of completion of key termination processes. System IT Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, based on ISO 27002:2022, states that organizations will remove the access rights of all employees upon termination of their employment within five business days. The standard states in addition to IT system access, access rights covered by this policy include “physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization.”

By not removing systems access timely, Germanna increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely removal of systems access exposes Germanna to inappropriate activity by individuals no longer employed by the agency. As part of Germanna's employee termination procedures, supervisors notify Human Resources when an employee leaves or will be leaving, allowing Human Resources to begin the termination process. The IT department is responsible for removing system access while the supervisors are responsible for collecting physical items and completing the required capital asset collection form.

Germanna should strengthen communication between supervisors, Human Resources, and the IT department to reduce instances in which the length of time between employee termination and removal of system access exceeds the five business days allocated in the agency's policies and procedures. Additional improvements to Germanna's policies and procedures should include proper methods of tracking items issued to employees and the documentation and return of these items during the offboarding process. Germanna should provide additional training as needed for members of the departments to improve the timeliness in which departments request the removal of system access for terminated employees.

2022-36: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act**Topic:** Information Security**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Germanna does not include certain required elements of risk to its IT environment and systems within its risk assessments. Institutions of higher education, because of their engagement in financial assistance programs, must comply with Public Law 106-102, known as the GLBA. Related regulations at 16 CFR § 314.4 requires organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment including consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following:

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

Without considering all elements required by the GLBA, Germanna may not be able to ensure the security and confidentiality of customer information. Additionally, incomplete risk assessments may result in improper or absent controls to protect against anticipated threats or hazards. Germanna was unaware of the GLBA requirements, causing Germanna to not document its assessment of all risk elements as required within its risk assessments.

Germanna should prioritize the evaluation of all elements of risk as required by GLBA within their risk assessments. As part of the risk assessment process, Germanna should identify correlating controls and safeguards that are in place or missing to mitigate the evaluated risks in the risk assessment. Germanna should develop a corrective action plan for implementing any missing controls. This process will assist Germanna in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

2022-37: Perform an Evaluation of Student Information System Access Roles for College Personnel**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Germanna has not properly granted roles and privileges for the student information system. The System Office has established a student information system access matrix which defines financial aid

access roles within each college and restrictions on granting such access. The underlying cause for the improper access is related to an approach management adopted which does not fully align with the matrix and a lack of periodic review of system roles. Germanna personnel granted 28 non-financial aid employees' access to at least one financial aid role deemed restricted to only financial aid employees. In addition, Germanna granted two conflicting roles to the Director of Financial Aid. By not properly assigning access based upon job responsibilities, Germanna may be subject to improper access levels that are not based on the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

With the assistance of System Office information security personnel, management should periodically perform a thorough evaluation of employees to ensure that management grants student information system roles on the concept of least privilege and job responsibilities.

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

2022-38: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Southside Virginia does not conduct risk assessments over its sensitive systems and IT environment. Subsequently, Southside Virginia's information security program is not in compliance with the GLBA.

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

- employee training and management;

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

Additionally, the ISO and the ISO Standard require organizations to conduct an information security-specific risk assessment to assess risks to the organization. The organization should use the risk assessment to determine the controls necessary to mitigate those risks or reduce the impact of the risk to a level that is reasonably acceptable by the organization (ISO Standard, Sections 0.2 Information Security Requirements, 0.4 Determining Controls).

Without performing the risk assessment process and considering all elements GLBA requires, Southside Virginia may not be able to ensure the confidentiality, integrity, and availability of customer information. Additionally, not completing risk assessments may result in improper or insufficient controls to protect against known threats or hazards.

While Southside Virginia conducted one risk assessment over its network, it did not complete risk assessments over its remaining sensitive systems and IT environment during fiscal year 2022. A lack of awareness of the GLBA requirements and staffing constraints caused Southside Virginia's to not complete the required risk assessments.

Southside Virginia should create and evaluate college-specific risk assessments that include all risks GLBA prescribed. As part of the risk assessment process, Southside Virginia should identify safeguards that are either in place or missing to mitigate the risks identified within the risk assessment. Southside Virginia should develop a corrective action plan to implement any missing safeguards. This process will help Southside Virginia in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

2022-39: Improve Return of Title IV Calculation Processes

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Southside Virginia personnel did not properly perform return of Title IV calculations for aid year 2022. Southside Virginia personnel incorrectly calculated the number of days in the period of enrollment for fall 2021. The underlying causes of the errors are Southside Virginia's desktop procedures do not identify unofficial withdrawals and a lack of management oversight. In our review of the return of Title IV calculations we found the following discrepancies:

- For five out of 12 students (42%), personnel used the last day of classes rather than the last day of exams causing a difference of seven days in the calculation. Due to the calculation error, all return of Title IV calculations for fall 2021 were inaccurate; and
- For 25 unofficial withdrawals reviewed, Southside Virginia personnel's procedures did not identify six (24%) unofficial withdrawals. The college considers students who receive a grade of "F" as an academic failure as opposed to an unofficial withdraw, regardless of the effective date.

In accordance with 34 CFR § 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The total number of calendar days in a payment period, or period of enrollment, includes all days within the period that the student completed, except scheduled breaks of at least five consecutive days.

As required in CFR § 668.22(b)(1), the institution must disburse directly to a student any amount of post-withdrawal disbursement of grant funds that the institution did not credit to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. Since Southside did not properly identify unofficial withdrawals, the college may not have provided funds to a student as a post withdrawal disbursement or timely returned the funds to Education, resulting in potential questioned costs.

In accordance with 34 CFR § 668.22(j)(1), an institution must return the amount of Title IV funds for which it is responsible as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. Southside Virginia should ensure that staff enter the correct number of days in the period of enrollment into the student information system. Management should evaluate current procedures and ensure they align with federal return of Title IV requirements. Southside Virginia personnel should implement corrective action to prevent future noncompliance.

2022-40: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Southside Virginia personnel did not report accurate and timely enrollment data to the NSLDS for students that graduated, withdrew, or had an enrollment level change. The underlying cause for the untimely reporting is due to insufficient management oversight. In our review of 40 students, we noted the following noncompliance:

- The enrollment level status was not accurate for six students (15%);
- The effective date of the applicable enrollment status change was not accurate for nine students (23%);
- Southside Virginia did not report enrollment changes timely for eleven students (28%); and
- At least one critical campus or program level field was inaccurate for ten students (25%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to the NSLDS within 30 days of when attendance changes occur. The accuracy of Title IV enrollment data depends heavily on information institutions report. The submission of untimely and inaccurate data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Southside Virginia management should implement corrective action to ensure that the college is reporting accurate and timely student enrollment status changes to NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-41: Perform an Evaluation of Student Information System Access Roles for College Personnel

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Southside Virginia did not properly grant roles and privileges to the student information system. The System Office established a student information system access matrix which defines financial aid access roles within each college and restrictions on granting such access. The underlying cause for the improper access is related to an approach management adopted which does not fully align with the matrix. Southside Virginia personnel granted seven non-financial aid employees' access to at least one financial aid role restricted to only financial aid employees. By not properly assigning access based on job responsibilities, Southside Virginia may be subject to improper access levels that violates the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should

carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

With the assistance of System Office information security personnel, management should perform a thorough evaluation of employees to ensure that Southside Virginia grants student information system roles on the concept of least privilege and job responsibilities.

EASTERN SHORE COMMUNITY COLLEGE

2022-42: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Eastern Shore did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of financial statements additional time to prepare. However, Eastern Shore's implementation process was still deficient in the following areas:

- The Business Office did not review contract documents or work with other departments within Eastern Shore to identify the complete population of leases. As a result, the Business Office did not perform an evaluation of a One Stop leased space and vehicle lease with the Department of General Services, and a postage machine lease to determine if they met the GASB 87 lease reporting requirements;
- The Business Office did not consistently determine the lease term and asset grouping of the leases across all contracts;
- The Business Office did not report variable costs associated with Eastern Shore's leases to the System Office for disclosure within the financial statements; and
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for

those payments. CAPP Manual Topics 31205-31220 state all agencies must follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

Eastern Shore did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. Eastern Shore should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the Business Office reports these amounts to the System Office for inclusion in the financial statements. In addition, the Business Office should perform an evaluation over Eastern Shore contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-43: Improve the Monitoring of Critical Systems Access

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Eastern Shore management needs to strengthen system access controls over the System's human resource system to ensure individuals' access adheres to the principle of least privilege. Eastern Shore lacked the resources to perform a proper analysis of existing roles when granting additional access.

In our review of access to the System's human resource system, we identified one user, who is a Human Resource backup, with the ability to run the payroll process from beginning to end. The primary performers of Human Resource duties do not have the ability to perform the same task. The underlying cause of the improper access is due to a lack of management oversight. By not assigning access based on job responsibilities, Eastern Shore may be subject to improper access levels that violate the concept of least privilege and do not allow for adequate segregation of duties.

The System's Security Standard, Section 9.2.3 – Management of Privileged Access Rights, states that each college should use the principle of least privilege in the assignment of security roles and responsibilities. A backup for a role should not have the ability to perform more tasks than the primary employee responsible for the role. Eastern Shore should review human resource system access to ensure that employees only have access to necessary roles based on job duties.

2022-44: Improve Process over Employee Terminations

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2013)

Eastern Shore did not apply the System's procedures for employees that terminated employment with the college during the fiscal year.

- For four out of 14 employees tested (29%), Eastern Shore did not remove access to the System's human resource system timely, with removal dates ranging from 21 to 289 days after termination; and
- For two out of the 13 employees tested (15%), Eastern Shore could not provide documentation related to the removal of access and timely collection of college issued physical items (charge cards, travel cards, keys, etc.) upon termination according to the System's Policy; therefore, we could not determine if Eastern Shore properly completed the termination process.

In these instances, breakdowns in communication between supervisors and departments resulted in delays, leading to untimely or lack of completion of key termination processes. The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that agencies will remove the access rights of all employees upon termination of their employment within five business days. The standard states in addition to IT system access, access rights include "physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization."

By not removing access timely, Eastern Shore 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 Eastern Shore to inappropriate activity by individuals no longer employed by the Eastern Shore. As part of Eastern Shore's employee termination procedures, supervisors must notify Human Resources when an employee has left or will be leaving so that Human Resources can begin the termination process, which includes sending a notification to IT and the supervisor, informing them of their responsibility in the termination process. The IT department is responsible for removing system access while the supervisors are responsible for collecting physical items and completing the required capital asset collection form.

Eastern Shore should strengthen communication between supervisors, Human Resources, and the IT Department so that the individuals involved in the termination process can complete the process in a timely manner. Eastern Shore should ensure that supervisors complete the employee separation documentation timely and ensure the removal of all access and proper collection of physical items occurs. Management should ensure that the Human Resources department monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training, as necessary.

PATRICK HENRY COMMUNITY COLLEGE

2022-45: Improve Documentation When Handling Federal Funds

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Patrick Henry Business Office personnel did not consistently maintain adequate documentation when completing federal drawdowns of Pell grants in fiscal year 2022. Specifically, Business Office personnel did not retain automated reports from its student information system. Additionally, the Business Office personnel did not adequately document when it completed its reconciliations between Education's records and the college's internal records in fiscal year 2022. Staff turnover in the Business Office is the underlying cause for the noncompliance.

34 CFR § 668.166 states that excess cash is any amount of Title IV funds that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary or deposited those funds to its federal account for previously disbursed Title IV funds, such as those resulting from award adjustments, recoveries, or cancellations. An institution may maintain an amount of excess cash for up to seven days that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount remaining in the account after the seven-day tolerance period. Without retaining proper documentation when completing federal drawdowns and reconciliations between Education's records and its accounting system, Patrick Henry could potentially draw down too much financial aid funds resulting in excess cash.

Management should train staff on how to properly document the completion of federal drawdowns and monthly reconciliations between the federal systems and the college's internal records. Management should implement corrective action to prevent future noncompliance.

2022-46: Improve Compliance over Title IV Calculations and Returns

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Patrick Henry personnel did not properly calculate the return of Title IV funds for the fall 2021 semester. Patrick Henry personnel incorrectly calculated the number of scheduled break days the Business Office excludes in accordance with federal regulations. Additionally, Patrick Henry personnel did not consistently return Title IV funds to Education within the required timeframe. The primary cause

of the miscalculations was a lack of management oversight as well as staffing challenges during the 2022 aid year in the Business Office. In our review of 12 students, we identified the following deficiencies:

- For eight of 12 students (67%), the calculation was not accurate resulting in underpayments of \$206; and
- For five out of 12 students (42%), the date of return of unearned funds was greater than 45 days after the date of determination.

In accordance with 34 CFR § 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The total number of calendar days in a payment period or period of enrollment, includes all days within the period with the exclusion of breaks of at least five consecutive days. As noted in Volume 5 of the Federal Student Financial Aid Handbook, for institutions with a break of Monday through Friday, the institution must include the weekend before and weekend after unless the institution offers classes the prior Saturday or Sunday.

In accordance with 34 CFR § 668.21(b), the institution must return those funds for which it is responsible as soon as possible, but no later than 45 days, after the date that the institution becomes aware that a student withdrew. By not returning funds in a timely manner, the institution is not in compliance with federal requirements and may be subject to potential adverse actions affecting Patrick Henry's participation in Title IV programs.

Management should ensure the Business Office properly enters the scheduled breaks into the automated system. Patrick Henry management should review its current resources and implement corrective measures to ensure business continuity. Management should ensure that the Business Office includes the correct number of scheduled break days within the return of Title IV calculation and timely return unearned funds to Education. Management should implement corrective action to prevent future noncompliance.

2022-47: Promptly Return Unclaimed Aid to Department of Education

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Patrick Henry Business Office personnel did not return unclaimed student financial aid funds to Education within the required timeframe. Specifically, at the time of audit, we reviewed 19 students and found for nine students (47%), Patrick Henry personnel did not return a total of \$4,431 for fiscal year 2022. The primary cause of the noncompliance is staff turnover in the Business Office.

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

Patrick Henry should allocate the necessary resources to ensure the Business Office maintains adequate staffing levels to timely identify and return unclaimed student financial aid funds. If the Business Office is unable to contact the federal aid recipient, and the check remains uncashed or the banking institution rejects the EFT, the Business Office should return the unclaimed funds to Education within the required timeframe. Additionally, the Business Office should develop policies and procedures to ensure compliance with CFR requirements during times of staff turnover.

2022-48: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Patrick Henry personnel did not report accurate and timely enrollment data to the NSLDS for students that had graduated, withdrew, or had an enrollment level change. The underlying cause for the untimely reporting is due to insufficient management oversight. From our review of 38 students, we noted the following noncompliance:

- The enrollment level status was not accurate for one student (3%);
- The effective date of the applicable enrollment status change was not accurate for eight students (21%);
- For one student (3%), the enrollment status change reporting was untimely; and
- At least one critical campus or program level field was inaccurate for eight students (21%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to the NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information institutions report. Patrick Henry's untimely submission of inaccurate data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Patrick Henry management should implement corrective action to ensure that personnel are reporting accurate and timely student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

NEW RIVER COMMUNITY COLLEGE

2022-49: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

New River does not consider certain required elements of risk to its IT environment within its computing infrastructure risk assessment.

Institutions of higher education, because of their engagement in financial assistance programs, must comply with Public Law 106-102, known as the GLBA. Related regulations at 16 CFR § 314.4 requires organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment including consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks within the following:

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

Without considering all elements GLBA requires, New River may not be able to ensure the security and confidentiality of customer information. This may result in improper or insufficient controls to protect against threats or hazards. New River was unaware of the GLBA requirements, causing New River to not consider certain GLBA risk elements that may impact its IT environment.

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

2022-50: Perform an Evaluation of Student Information System Access Roles for College Personnel**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

New River has not properly granted roles and privileges to the System's student information system. The System Office established a student information system access matrix which defines financial aid access roles within each college and restrictions on granting such access. The underlying cause for the improper access is related to an approach management adopted which does not fully align with the matrix. New River personnel granted 28 non-financial aid employees access to at least one financial aid role restricted to only financial aid employees. By not properly assigning access based on job responsibilities, New River may be subject to improper access levels that violates the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

With the assistance of System Office information security personnel, management should perform a thorough evaluation of employees to ensure that New River grants student information system roles on the concept of least privilege and job responsibilities.

2022-51: Promptly Return Unclaimed Aid to Department of Education**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

New River Business Office personnel did not return unclaimed student financial aid funds to Education within the required timeframe. Specifically, at the time of audit, New River personnel did not return a total of \$10,377 of which \$8,782 is for fiscal year 2022. The underlying cause of the noncompliance is insufficient management oversight.

In accordance with 34 CFR § 668.164(l), if an institution attempts to disburse the funds by check and the recipient does not cash the, the institution must return the funds no later than 240 days after

the date it issued the check or no later than 45 days after the rejection of an EFT. By not returning funds timely, the institution is subject to federal non-compliance and potential adverse actions that may affect New River's participation in Title IV aid programs.

If the Business Office is unable to contact the federal aid recipient and the check remains uncashed or the banking institution rejects the EFT, New River should ensure the Business Office returns the unclaimed funds to Education within the required timeframe.

2022-52: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

New River personnel did not report accurate and timely enrollment data to the NSLDS for students that had graduated, withdrew, or had an enrollment level change. The underlying cause for the untimely reporting is due to insufficient management oversight. From our review of 39 students, we noted the following noncompliance:

- The enrollment level status was not accurate for five students (13%);
- The effective date of the applicable enrollment status change was not accurate for eight students (21%);
- New River did not report enrollment changes timely for five students (13%); and
- At least one critical campus or program level field was inaccurate for eight students (21%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to the NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information institutions report. New River's untimely submission of inaccurate data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

New River management should implement corrective action to ensure that the college reports accurate and timely student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-53: Strengthen the Schedule of Expenditures of Federal Awards Review Process**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

New River Business Office personnel did not properly prepare an accurate SEFA for fiscal year 2022. Education provided Education Stabilization funds to the college in response to the COVID-19 pandemic. New River Business Office duplicated journal entries, which led to an overstatement of \$3.4 million in the 2022 SEFA. The underlying cause of the error is an insufficient review process by management over the SEFA.

In accordance with 2 CFR § 200.510(b), “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with § 200.502.” Accounts’ Comptroller’s Directive 2-22 provides specific directions for compiling the SEFA, and supporting schedules, including the “total amount provided to subrecipients from each federal program,” to support its preparation of the Commonwealth’s SEFA and related disclosures. Providing inaccurate schedules to Accounts could result in a misstatement in the Commonwealth’s SEFA and related disclosures. Management should strengthen its current SEFA review process to include review of journal entries and schedule preparation for reasonableness and accuracy.

PIEDMONT VIRGINIA COMMUNITY COLLEGE

2022-54: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87**Topic:** Financial Accounting and Reporting**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Piedmont Virginia did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, providing preparers of financial statements additional time to prepare. However, Piedmont Virginia’s implementation process was still deficient in the following areas:

- The Business Office did not review contract documents or work with other departments within Piedmont Virginia to identify the complete population of leases. As a result, they did not perform an evaluation of a vehicle lease with the Department of General Services to determine if it met the GASB Statement No. 87 lease reporting requirements;

- The Business Office did not consistently determine the lease term for the leases across all contracts. Two out of three (66%) leases had three additional months for the lease term in the lease accounting system;
- The Business Office did not report variable costs associated with Piedmont Virginia's leases to the System Office for disclosure within the financial statements; and
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for those payments. CAPP Manual Topics 31205-31220 state all agencies must follow GASB 87 guidelines and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

Piedmont Virginia did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. Piedmont Virginia should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the Business Office reports these amounts to the System Office for inclusion in the financial statements. In addition, the Business Office should perform an evaluation over Piedmont Virginia contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-55: Improve Controls over Fixed Asset Inventory

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-24)

Piedmont Virginia did not conduct an adequate inventory to ensure the college properly recorded all capital assets in the asset management system. We identified the following exceptions during our review:

- Piedmont Virginia did not properly tag seven out of 17 (41%) capital assets we selected from the asset management system listing for the Main Campus location, and therefore did not match the tag within the system. In addition, Piedmont Virginia was unable to locate four of these assets; and
- Eight out of 17 (47%) capital assets we selected from the floor did not have tags consistent with the asset management system. In addition, six of these exceptions were due to Piedmont Virginia being unable to locate the assets in the system.

CAPP Manual Topic 30505 requires, “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 Office’s Capital Asset Policies and Procedures Manual requires custodians to complete a Physical Inventory Discrepancy Form when the custodian identifies equipment missing from the inventory listing or when the custodian is unable to locate equipment on the listing. The Fixed Asset Manager should then review the Physical Inventory Discrepancy Forms to ensure staff make the necessary adjustments to inventory in the asset management system. Additionally, the System Office’s Capital Asset Policies and Procedures Manual requires that if capital assets are not located by the next physical inventory date, the Fixed Asset Manager should obtain written permission from the responsible department head to delete the asset from inventory.

Insufficient tracking of Piedmont Virginia’s capital assets increases the risk of misappropriation of Commonwealth property, may contribute to the inclusion of inaccurate information in the accounting information system, and cause misstatements in the financial statements. Without proper inventory documentation, the disposition of capital assets cannot be determined. According to management, a lack of oversight led to staff not properly tracking and recording the assets.

Piedmont Virginia should evaluate current inventory and tracking procedures and implement corrective action to ensure staff properly monitor the capital assets in accordance with the Commonwealth and the System Office’s requirements. In addition, Piedmont Virginia should improve their Inventory tracking process by holding the appropriate employees responsible for inventory within their departments. Lastly, Piedmont Virginia should perform inventory properly to identify the accurate location of capital assets or follow its procedures to dispose of items that cannot be located within two inventory cycles.

2022-56: Remove System Access When Employees No Longer Need Access

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-25)

Piedmont Virginia is not effectively ensuring the removal of access to the Commonwealth's purchasing system in a timely manner for terminated employees. During our review, we found:

- Three out of nine (33%) terminated employees retained access to the Commonwealth's purchasing system for nine to 17 days after termination; and
- Four out of nine (44%) terminated employees had custodial care for their access to the Commonwealth's purchasing system set-up 89 to 199 days after termination.

The System's IT Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, based on ISO 27002:2022, advises the community college to disable information system access upon termination of their employment, and states that colleges should remove access within five business days from the date of the employee termination.

Allowing unnecessary access to critical systems increases the college's risk of compromising data integrity and unnecessary exposure to sensitive data. Untimely deletion of access to systems can expose Piedmont Virginia and the System to inappropriate activity by individuals the institution no longer employs. Since the Commonwealth's purchasing system is a web-based application, removing a user from the college's internal network is not sufficient. The college must deactivate the terminated employee's user ID. Untimely user access deactivations may compromise the protection and integrity of confidential Commonwealth purchasing system data. Colleges may also be subject to an elevated risk of unauthorized access to online transactions. Piedmont Virginia personnel did not remove access timely due to lack of communication and coordination between the Human Resources department and supervisors.

Piedmont Virginia should ensure that supervisors deactivate terminated employee access to the Commonwealth's purchasing system in accordance with the System's Security Standards. Management should improve communication between Human Resources and other departments to ensure that Human Resources notifies system owners of all critical systems when employees terminate.

2022-57: Improve Controls over Financial System Reconciliations**Topic:** Financial Accounting and Reporting**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Piedmont Virginia does not have adequate policies and procedures regarding system reconciliations. As a result, the college did not properly complete monthly reconciliations between their accounting information system and student information system, in addition to reconciliations between their accounting information system and the federal system used to authorize and request federal student aid. Specifically, we noted the following:

- The Fiscal Office only completed eight out of 12 (67%) monthly reconciliations between the accounting information system and the student information system. Further, the Fiscal Office performed three out of three (100%) reconciliations two to eight months after month end. In addition, when the Fiscal Office performed the reconciliations, they contained multiple months of system data instead of a single month;
- The Fiscal Office only performed two out of 12 (17%) monthly reconciliations between the accounting information system and the federal system used to authorize and request federal student aid. One reconciliation encompassed 11 months of the fiscal year instead of just one. In addition, the Fiscal Office did not reconcile all amounts by aid type between the two systems for either reconciliation. Finally, the Fiscal Office did not identify, investigate, and resolve discrepancies between the two systems as part of the reconciliation process.

The CAPP Manual Topic 20905 (Cardinal Reconciliation Requirements) requires agencies to complete monthly reconciliations of financial systems before the end of the following fiscal month. In addition, 34 CFR § 685.300(b)(5) and 34 CFR § 685.102(b), requires institutions to reconcile institutional records with Direct Loan funds received from Education and Direct Loan disbursement records submitted to and accepted by Education. Each month, COD provides universities with a SAS data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Chapter 6 (Reconciliation in the Direct Loan Program) of the Federal Student Financial Aid Handbook details the reconciliation requirements.

Failure to timely complete reconciliations increases the risk of material misstatements in account balances going undetected and impacting financial reporting. By not performing monthly reconciliations Piedmont Virginia places itself at risk for not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and may impact participation by the institution in Title IV programs. Piedmont Virginia was not able to complete monthly reconciliations as required due to a lack of staffing.

Piedmont Virginia should ensure adequate resources are in place to timely perform reconciliations between their student information system and accounting information system as well as the federal system used to authorize and request federal student aid. Piedmont Virginia should ensure policies and procedures properly reflect CAPP manual and federal requirements for performing reconciliations of the systems.

2022-58: Improve the Monitoring of Critical Systems Access

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Piedmont Virginia was unable to provide evidence of performing a review of user access over the System's human resource system during fiscal year 2022 in accordance with the System's policies and procedures.

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

Piedmont Virginia was unable to produce evidence of the annual review over access due to turnover in key roles. Piedmont Virginia should evaluate their current processes over system access certification and create detailed policies and procedures that ensure the college completes an annual review of user access for the System's human resources system.

2022-59: Strengthen Interdepartmental Communications Related to Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Piedmont Virginia did not consistently adhere to its policies and procedures pertaining to timely removal of system access for terminated employees. During our review of 21 employees, we found:

- For six out of 21 employees (29%), Piedmont Virginia did not remove system access within five business days of termination. Piedmont Virginia removed access between ten and 41 days after the official date of termination; and

- For one out of seven salaried employees (14%), Piedmont Virginia failed to keep records for returned items including, but not limited to, charge cards, travel cards, and keys.

In these instances, the delays and untimely and/or lack of completing key termination processes are attributable to breakdowns in communication between supervisors and the other departments. The System's IT Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, based on ISO 27002:2022, states that colleges must disable the access rights of all employees upon termination of their employment and colleges should remove access within five business days. The standard states in addition to IT system access, access rights covered by this policy include "physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization."

By not removing system access timely, Piedmont Virginia increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely removal of system access exposes Piedmont Virginia to inappropriate activity by individuals the college no longer employs. As part of Piedmont Virginia's employee termination procedures, supervisors notify the Human Resource department when an employee leaves, or will be leaving, allowing Human Resources to begin the termination process. The IT department is responsible for removing system access, while the supervisors are responsible for collecting physical items and completing the required capital asset collection form.

Piedmont Virginia should strengthen communication between supervisors, Human Resources, and the IT department to ensure adherence to the college's policies and procedures by reducing instances in which the length of time between employee termination and removal of system access exceeds five business days. Additionally, the college should improve existing policies and procedures to include proper methods for tracking and documenting employee issued items, including the return of these items during the employee exit process. Piedmont Virginia should provide additional training to department personnel to improve the timeliness in which the college removes system access for terminated employees.

2022-60: Confirm Retirement Contributions within the Required Timeframe

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-30)

Piedmont Virginia Human Resource personnel did not confirm retirement contribution snapshots timely for three out of 12 (25%) months tested during fiscal year 2022. The Retirement System Contribution and Payment Scheduling employer manual states that all employers must report employee activity for the month to the Retirement System by the 10th of the following month.

Untimely certification at the agency level impacts the ability of Accounts to process inter-agency transfers for any differences between amounts the college confirmed in the Retirement Benefits System and the retirement contributions withheld and paid for all agencies across the Commonwealth. Human Resources staff must reconcile the Retirement System benefits data prior to confirming the snapshot. Due to turnover in staff and multiple vacancies in the Human Resources department, Piedmont Virginia management could not provide an explanation for the delays in the human resources reconciliation process.

Piedmont Virginia Human Resources staff should timely complete all reconciliations; this will allow time to complete and confirm the Retirement System contribution snapshots by the 10th day of the following month. Piedmont Virginia management should develop and implement policies and procedures that include a timeline for when staff should complete reconciliations and confirm the snapshots.

DABNEY S. LANCASTER COMMUNITY COLLEGE

2022-61: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney S. Lancaster does not conduct risk assessments over all sensitive systems within its IT environment. Subsequently, Dabney S. Lancaster's information security program is not in compliance with the GLBA. Dabney S. Lancaster has only conducted a formal risk assessment for one of 15 sensitive systems.

Institutions of higher education, because of their engagement in financial assistance programs, must comply with Public Law 106-102, known as GLBA. Related regulations at 16 CFR § 314.4 requires organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment including 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 ISO and the ISO Standard require organizations to conduct an information security-specific risk assessment to assess risks to the organization. The college uses the risk assessment to determine the controls necessary to mitigate those risks or reduce the impact of the risk to a level that is reasonably acceptable by the organization (ISO Standard, sections 0.2 Information security requirements, 0.4 Determining controls).

By not performing risk assessments and considering all elements GLBA requires, Dabney S. Lancaster does not adequately consider risk factors that may impact sensitive customer information. These risk factors include protecting customer information from anticipated threats and hazards that could result in unauthorized access, loss, or inaccuracies.

Dabney S. Lancaster's staffing constraints caused the college to not complete risk assessments for its IT environment and sensitive systems during fiscal year 2022. Additionally, Dabney S. Lancaster was unaware of the GLBA requirements, causing it to not document its consideration of certain risks that may impact its IT environment.

Dabney S. Lancaster should create and evaluate college-specific risk assessments that include all risks GLBA prescribes. As part of the risk assessment process, Dabney S. Lancaster should identify correlating controls and safeguards that are in place or missing to mitigate the evaluated risks in the risk assessment. Dabney S. Lancaster should develop a corrective action plan for implementing any missing controls. This process will assist Dabney S. Lancaster in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

2022-62: Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney S. Lancaster did not properly grant student information system roles and privileges for all three Financial Aid Office personnel (100%). The college assigned roles for the employees that are not necessary when considering current job responsibilities. Dabney S. Lancaster management indicated the underlying cause for the improper access is that the school did not have sufficient staff during peak periods of enrollment. Employees were assisting other departments which led to employees with improper access roles. By management not assigning access based on job responsibilities, the Financial Aid Office may be subject to improper access levels that are not been based on the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

Management should perform a thorough evaluation of employees to ensure that Dabney S. Lancaster grants student information system roles taking into consideration the concept of least privilege and job responsibilities.

2022-63: Promptly Identify Title IV Withdrawals

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney S. Lancaster did not identify students who withdrew in the fall 2021 term within 30 days of the term ending. For two of eight students, (25%), Dabney S. Lancaster did not timely identify the students requiring a calculation. The college's staff member responsible for identifying Title IV students that withdrew, hence requiring a return of Title IV calculation, was out of the office for an extended time due to COVID-19 in January 2022.

In accordance with 34 CFR § 668.22, (j) (2), for institutions that are not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (i) payment period or period of enrollment; (ii) academic year in which the student withdrew; or (iii) the educational program from which the student withdrew. By not identifying students who withdraw timely, the institution is not in compliance with federal requirements and may be subject to potential adverse actions affecting Dabney S. Lancaster's participation in Title IV programs.

Management should implement necessary corrective measures to ensure business continuity, including the proper identification of Title IV students that have withdrawn in a timely manner, if an employee is out on extended leave.

2022-64: Provide Timely Notification of Disbursements to Students**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Dabney S. Lancaster personnel did not properly notify students receiving Title IV awards during aid year 2022, prior to making awards to the students because personnel used a query that did not identify all students receiving a Title IV award. We reviewed 25 students and found for five (20%), Dabney S. Lancaster provided Title IV award notifications after the students received the awards.

In accordance with 34 CFR § 668.165, before an institution disburses Title IV, Higher Education Act program funds for any award year, the institution must notify a student of the amount of the funds that the student or his or her parents can expect to receive under each program, and how and when the college will disburse those funds. By not notifying students of Title IV awards timely, the institution is not in compliance with federal requirements and may be subject to potential adverse actions affecting Dabney S. Lancaster's participation in Title IV programs.

Management should ensure the query and reports used to prepare notifications appropriately includes all students receiving a Title IV award. Accurately identifying all students receiving a Title IV award will help ensure timely notifications.

2022-65: Improve Reporting to National Student Loan Data System**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2018 as 2018-80)

Dabney S. Lancaster personnel did not report accurate and timely enrollment data to the NSLDS for students that had graduated, withdrew, or had an enrollment level change. Further, Dabney S. Lancaster does not have adequate written policies and procedures for enrollment reporting. Dabney S. Lancaster management indicated the exceptions were due to staff turnover, NSLDS system upgrade and timing issues. From our review of 38 students, we noted the following instances of noncompliance:

- The enrollment status was inaccurate for 16 students (42%);
- The effective date was inaccurate for 18 students (47%);
- Dabney S. Lancaster did not report enrollment status changes timely for 14 students (37%); and

- At least one campus or program level field deemed critical was inaccurate for 20 students (53%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to the NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Dabney S. Lancaster's untimely submission of inaccurate data to the NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Dabney S. Lancaster management should evaluate its current enrollment reporting procedures and implement corrective action to ensure that the college is reporting accurate and timely student enrollment status changes to the National Student Loan Data System. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-66: Properly Complete Federal Verification Prior to Disbursing Title IV Aid

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney S. Lancaster did not properly complete federal verification prior to disbursing Title IV aid. Dabney S. Lancaster management indicated the error was due to oversight and staffing changes. We reviewed eight students and found for one (13%), Dabney S. Lancaster staff did not match the information on the documentation to the student aid application. Financial Aid Office personnel did not subsequently correct the information and recalculate the Title IV aid, resulting in a \$200 Pell grant over award.

In accordance with 34 CFR § 668.54 and 34 CFR § 668.56, an institution must require an applicant, who the Secretary selects for verification, to verify the information on their Free Application for Federal Student Aid (FAFSA). Dear Colleague Letter GEN-21-05 outlines the 2021-2022 Award Year FAFSA information the college should require the applicant to verify and the acceptable documentation by verification tracking flag and verification tracking group. By not performing the necessary verification, Dabney S. Lancaster may be providing financial aid disbursements to students based upon inaccurate information.

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 consider implementing a Quality Control Review process to ensure staff obtain, review, and retain acceptable documentation for audit purposes.

CENTRAL VIRGINIA COMMUNITY COLLEGE

2022-67: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Topic: Information Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia does not conduct risk assessments over its sensitive systems and IT environment. Subsequently, Central Virginia's information security program is not in compliance with the GLBA.

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

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

Additionally, the ISO and the ISO Standard require organizations to conduct an information security-specific risk assessment to assess risks to the organization. Colleges use the risk assessment to determine the controls necessary to mitigate those risks or reduce the impact of the risk to a level that is reasonably acceptable by the organization (ISO Standard, sections 0.2 Information security requirements, 0.4 Determining controls).

Without performing the risk assessment process and considering all elements GLBA requires, Central Virginia may not be able to ensure the confidentiality, integrity, and availability of customer information. Additionally, not completing risk assessments may result in improper or insufficient controls to protect against known threats or hazards.

Central Virginia's staffing constraints caused the college to not complete risk assessments for its IT environment and sensitive systems during fiscal year 2022. Central Virginia obtained a new Information Security Officer and is in the process of completing its risk assessments that evaluate all GLBA required elements.

Central Virginia should continue its efforts to create and evaluate college-specific risk assessments that include all risks GLBA prescribes. As part of the risk assessment process, Central Virginia should identify safeguards that are either in place or missing to mitigate the risks identified within the risk assessment. Central Virginia should develop a corrective action plan to implement any missing safeguards. This process will help Central Virginia in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

2022-68: Promptly Disburse Credit Balances to Students

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia Business Office personnel did not promptly disburse credit balances to students. For seven of 25 (28%) students, the Business Office disbursed credit balances up to 16 days after each student received a credit on his or her student account. College management indicated the delays were due to the Business Manager being out of the office and not having another staff member trained to balance checks in her absence.

In accordance with 34 CFR § 668.164(d)(1)(i)(A) & (ii)(A) and 34 CFR § 668.164(h)(2)(i) & (ii), a school may pay a credit balance by initiating an EFT to a bank account the student or parent designates. A school 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 accounts. Regardless of the method used, a school must disburse the credit balance within the regulatory time frame. By not disbursing the funds timely, the institution is subject to federal non-compliance and potential adverse actions that may affect the college's participation in Title IV aid programs. The Business Office should disburse credit balances to students timely thus ensuring the college's disbursement of federal aid aligns with federal requirements.

2022-69: Promptly Return Unclaimed Aid to Department of Education

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2018 as 2018-70)

Central Virginia Business Office personnel did not return unclaimed student financial aid funds to Education within the required timeframe. Specifically, at the time of audit, for three out of seven (43%) students, Business Office personnel did not return a total of \$695 for fiscal year 2022. The underlying cause of the untimely return of unclaimed funds is a misunderstanding of the CFR requirements by Central Virginia personnel. Business Office staff used the expiration date of the disbursement rather than the issuance date of disbursements to monitor the timeline to return the unclaimed aid.

Additionally, Business Office personnel focused on subsequent disbursement dates rather than the initial disbursement dates.

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

Central Virginia should ensure all staff responsible for managing student financial aid funds receive adequate training on the CFR requirements. The Business Office should use the correct dates when monitoring the timeline to return the unclaimed aid. If the Business Office is unable to contact the federal aid recipient, and the check remains uncashed or the banking institution rejects the EFT, Central Virginia should ensure the Business Office returns the unclaimed funds to Education within the required timeframe.

2022-70: Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia did not properly grant student information system roles and privileges for Financial Aid Office personnel. The System Office has established a student information system access matrix which defines financial aid access roles within each college and restrictions on granting such access. Central Virginia granted Financial Aid Office personnel roles that are not necessary for their current job responsibilities. By Central Virginia not assigning access based on job responsibilities, the Financial Aid Office may be subject to improper access levels that violate the concept of least privilege and do not allow for adequate segregation of duties. The underlying cause for the improper access is due to a lack of management oversight.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

Management should perform a thorough evaluation of employees to ensure that Central Virginia grants student information system roles based upon the concept of least privilege and job responsibilities.

2022-71: Properly Perform Return of Title IV Calculations

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia personnel did not properly calculate the return of Title IV funds for fall 2021 and spring 2022 semesters. Central Virginia personnel did not perform the calculation in accordance with Federal regulations because of the exclusion of scheduled break days. Central Virginia personnel indicated the miscalculations were due to a lack of management oversight. From our review of 39 students, we identified the following deficiencies:

- The calculation was not accurate resulting in underpayments of \$5,873 for 14 students (36%) and overpayments of \$16 for two students (5%); and
- Central Virginia personnel incorrectly returned a portion of the Title IV grants totaling \$2,155 for two students (5%) even though the students had earned 100% of Title IV aid.

In accordance with 34 CFR § 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. The total number of calendar days in a payment period includes all days within the period that the student completed, excluding scheduled breaks of at least five consecutive days. Volume 5 of the Federal Student Financial Aid Handbook states that for a break of Monday through Friday, the institution should include the weekend before and the weekend after unless the institution offered classes the prior Saturday or Sunday.

Management should ensure staff correctly enter the scheduled breaks into the automated system. Management should implement corrective action to prevent future noncompliance.

2022-72: Improve Federal Direct Loan Reconciliations

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia personnel have been unable to provide sufficient documentation to show that the college performed federal Direct Loan reconciliations monthly and/or that the college documented

and addressed reconciling items timely. The underlying cause for not completing monthly reconciliations is due to a lack of management oversight.

Financial Aid Office personnel do not reconcile the ending cash balance on the monthly SAS reports to their internal records or the Business Office records. Financial Aid Office personnel do not identify and resolve differences between the cash disbursed through the COD system and the cash the Business Office disburses. By not reconciling, financial aid personnel cannot accurately determine if the college is retaining excess cash.

In accordance with 34 CFR § 685.300(b)(5) institutions must reconcile institutional records with Direct Loan funds received from Education and Direct Loan disbursement records submitted to and accepted by Education. Each month, 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. Volume 4, Chapter 6 (Reconciliation in the Direct Loan Program) of the Federal Student Financial Aid Handbook details the reconciliation requirements.

By not documenting a monthly reconciliation of federal Direct Loans, Central Virginia places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions that impact the institution's participation in Title IV programs.

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

2022-73: Improve Notification Process for Federal Awards to Students

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia did not properly notify students awarded federal aid. Specifically, we tested 25 students and found for two (8%), Central Virginia personnel did not provide a general notification to the students or parents about the amounts expected from each Title IV program. Additionally, Central Virginia personnel did not properly notify seven of seven (100%) Direct Loan recipients with important details about their loans. CFR requires the college to provide written award notifications to students, which include important details on the rights, options, and requirements of the student loans and awards. The Financial Aid Office uses an automated system to send notifications to students. Due to not running a process in the automated system, the automated system did not generate a communication for the loan notifications, and as a result, the Financial Aid Office did not provide the

notifications to these students. Management indicated the underlying cause of the deficiencies was due to lack of management oversight.

34 CFR § 668.165(a)(1) & (2), requires institutions to notify a student of the amount of the funds the student can expect to receive under each Title IV program, including the nature and timing of the disbursement. Additionally, CFR requires institutions to 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.

The Financial Aid Office should revisit their procedures for providing loan notifications to ensure Central Virginia properly notifies all students who receive federal aid as required by CFR.

2022-74: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia personnel did not report accurate and timely enrollment data to the NSLDS for students that graduated, withdrew, or had an enrollment level change. The underlying cause for errors is Central Virginia personnel did not transmit the enrollment data timely to the National Student Clearinghouse. From our review of 39 students, we identified the following deficiencies:

- The enrollment level status was inaccurate for four students (10%);
- The effective date was inaccurate for seven students (18%);
- Central Virginia personnel did not report enrollment status changes timely for four students (10%); and
- At least one critical campus or program level field was inaccurate for seven students (18%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Central Virginia's untimely submission of inaccurate data to the NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs and can potentially impact loan repayment grace periods or loan subsidies.

Central Virginia personnel should enhance their current reporting procedures and implement corrective action to ensure that the college is reporting accurate and timely student enrollment status changes to the NSLDS.

2022-75: Ensure an Accurate FISAP is Submitted to Department of Education

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Central Virginia Financial Aid Office personnel inaccurately reported Field 22 – Total Tuition and Fees in Section II of the College’s FISAP. The underlying cause of the overstatement of \$509,924 is due to a lack of management oversight.

In accordance with 34 CFR § 675.19 (b)(3) and 676.19(b)(3), each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall report accurate information on the form and submit it at the time the Secretary specifies. The FISAP instructions provided by Education further informs institutions of what to report in Section II, Field 22. 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, Education does not have accurate information from which to make funding decisions. Management should review FISAP instructions and ensure the college is reporting the proper amounts on Section II, Field 22 of the FISAP.

VIRGINIA HIGHLANDS COMMUNITY COLLEGE

2022-76: Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87

Topic: Financial Accounting and Reporting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Virginia Highlands did not adequately plan and prepare for the implementation of GASB Statement No. 87 to ensure proper identification and reporting of leases. GASB delayed the implementation of the accounting standard over leased assets by one year, which provided additional time to prepare. However, Virginia Highlands’ implementation process was still deficient in the following areas:

- The Business Office did not review contract documents or work with other departments within Virginia Highlands to identify the complete population of leases. As a result, they did

not perform an evaluation of storage container leases and vehicles leases with the Department of General Services to determine if they met the GASB 87 lease reporting requirements;

- The Business Office did not consistently determine asset grouping the leases across all contracts;
- The Business Office did not report variable costs associated with Virginia Highlands' leases to the System Office for disclosure within the financial statements; and
- The Business Office did not develop GASB 87 implementation policies and procedures to ensure consistent application across contracts.

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error. GASB 87 prescribes the applicable accounting standards surrounding the proper accounting and financial reporting for leases including the need to disclose variable payments as outflows of resources in the period that the college incurred the obligation for those payments. CAPP Manual Topics 31205-31220 state all agencies must follow GASB 87 guidelines, and users of the Commonwealth's lease accounting system should review the specific requirements of the statement.

Virginia Highlands did not have an accurate understanding of GASB 87 to be able to properly plan, prepare, and implement the standard. Virginia Highlands should ensure the individuals evaluating, tracking, recording, and reporting leases obtain appropriate resources to ensure they have a thorough understanding of the requirements of GASB 87. Management should develop, implement, and update policies and procedures regularly over their leased-asset process to ensure accurate and complete reporting. These policies and procedures should include the identification of lease variable costs not already included in the lease liability and ensure that the college reports these amounts to the System Office for inclusion in the financial statements. In addition, they should perform an evaluation over Virginia Highlands contracts to ensure the Finance Department properly captures all leases, corrects any misstated leases, and enters all lease data in the Commonwealth's lease accounting system.

2022-77: Strengthen Interdepartmental Communications Related to Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Highlands did not consistently apply System procedures for employees the college terminated during the fiscal year. During our review of eight employees, we found:

- For three out of eight employees (37.5%), Virginia Highlands did not consistently apply its procedures to remove access to payroll and leave systems timely, with removal dates ranging from 21 to 145 days after termination; and
- For four out of five employees (80%), Virginia Highlands did not document the timely collection of college issued physical items (charge cards, travel cards, keys, etc.) upon termination according to the System's policy. Virginia Highlands was unable to provide the separation checklists for these employees indicating the collection of physical items; thus, we were unable to determine whether the supervisors completed this step of the termination process.

The System's IT Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, based on the ISO Standard, states that colleges must deactivate the access rights of all employees upon termination of their employment, and remove access within five business days. In addition to IT system access, the Security Standard states that access rights include "physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization."

By not removing access timely, both system access and physical items, Virginia Highlands 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 Virginia Highlands to inappropriate activity by individuals the college no longer employs.

As part of Virginia Highlands's employee termination procedures, supervisors will notify the Human Resource department when an employee terminates so they can begin the termination process, which includes sending a notification to IT and the supervisor, informing them of their responsibility in the termination process. The IT department is responsible for removing system access while the supervisors are responsible for collecting physical items and completing the necessary fixed asset collection form. In these instances, breakdowns in communication between supervisors and the other departments resulted in delays, leading to untimely completion of key termination processes.

Virginia Highlands should strengthen communications between supervisors, Human Resources, and the IT department to ensure the timely removal of system access. Management should ensure that the Human Resource department monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training, as necessary. Additionally, Virginia Highlands should maintain documentation demonstrating that supervisors collect physical items timely for employees terminated by the college.

2022-78: Improve Controls Over Access to the Commonwealth's Retirement Benefits System

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Highlands does not have adequate controls in place to ensure that system access to the Retirement Benefits System is appropriate. Human Resources at the facilities and the Central Office did not terminate system access timely to the Retirement Benefits System for two out of five (40%) users.

The System's IT Security Standard, Standard 9.2, states an organization must disable information system access within five business days of employee separation and terminate any authenticators or credentials associated with the individual. Delays in deleting access increase the risk of unauthorized use of the Retirement Benefits System, which could result in unauthorized changes and could impair data integrity.

Management was unable to provide documentation relating to the employees' terminations or further explanation on the delay in removing access due to the previous Human Resource Manager leaving part-way through the period under audit.

Virginia Highlands should implement a process to ensure they are removing unneeded access to the Retirement Benefits System in a timely manner and following the requirements set forth in the System's IT Security Standard. Furthermore, Virginia Highlands should perform a review of employee off-boarding documents to identify and remove all access held by the terminated employees and retain the documents supporting management's removal of the employees' access.

2022-79: Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Virginia Highlands did not retain documentation showing that the college regularly reviewed the Centralized State Systems Cancelled Records Report (Cancelled Records Report) in accordance with the Retirement System's Policies. Virginia Highlands could not provide evidence that they performed these reviews, hence we were unable to determine if the college completed this part of the reconciliation process. Furthermore, we determined that for one out of 12 months (8%), Virginia Highlands did not confirm retirement contribution snapshots in a timely manner.

Virginia Highlands does not have documented policies in place to ensure retention of all necessary reports associated within the monthly reconciliation process. CAPP Manual Topic 50410

requires that employers who use the Commonwealth's personnel system must review the Cancelled Record Report daily to ensure all information in the system is accurate. Additionally, the Virginia Retirement System Employer Manual section: Enroll and Maintain Employees dictates that employers who use the Commonwealth's personnel system must review the Cancelled Records Report daily and update the systems as necessary. Not performing pre-certification processes can affect the integrity of the information in the Retirement Benefits System that determines pension liability calculations for the entire Commonwealth. Furthermore, the Contribution Confirmation and Payment Scheduling Virginia Retirement System Employer Manual requires employers to submit a month's contribution snapshot by the tenth of the following month. Untimely certification at the agency level impacts the ability of Accounts to process inter-agency transfers for any differences between the amounts confirmed in the Retirement Benefits System and the retirement contributions withheld and paid for all agencies across the Commonwealth.

Virginia Highlands should implement a process to ensure staff review the Cancelled Records Reports daily to clear any exceptions that occur during the daily interface between the Retirement Benefits System and System's personnel system. Additionally, Virginia Highlands should retain evidence of their review of the Cancelled Records Report. Lastly, the college should implement processes to confirm retirement contributions in a timely manner. Not only will this ensure compliance with Commonwealth accounting policies and the Virginia Retirement System Employer Manual, but it is also good practice to ensure staff properly perform and document reconciliations.

2022-80: Perform an Evaluation of Student Information System Access Roles for College Personnel

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Highlands does not properly grant roles and privileges for personnel with access to the student information system. The System Office has established a student information system access matrix which defines financial aid access roles within each college and restrictions on granting such access. Virginia Highlands personnel granted eight non-financial aid employees' access to at least one financial aid role restricted to financial aid employees. By Virginia Highlands not assigning access based on job responsibilities, the college may be subject to improper access levels that violate the concept of least privilege and do not allow for adequate segregation of duties.

In accordance with 34 CFR § 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, ISO 27002, Section 5.3, states that organizations should take care and not grant persons conflicting roles when using role-based access controls systems. Organizations should carefully design roles and provision them to minimize access problems if an organization removes or

reassigns a role. Section 5.15 further states that organizations should take care when specifying access control rules to consider establishing rules based on the premise of least privilege.

With the assistance of System Office information security personnel, management should perform a thorough evaluation of employees to ensure the college is granting student information system roles upon the concept of least privilege and job responsibilities.

2022-81: Improve Reporting to National Student Loan Data System

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Highlands personnel did not report accurate and timely enrollment data to the NSLDS for students that had graduated, withdrew, or had an enrollment level change. The underlying cause for the untimely reporting is a lack of management oversight. From our review of 39 students, we noted the following instances of noncompliance:

- The enrollment level status was not accurate for six students (13%);
- The effective date of the applicable enrollment status change was not accurate for 15 students (38%);
- Virginia Highlands did not report enrollment changes timely for seven students (18%); and
- At least one critical campus or program level field was inaccurate for 16 students (41%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by Education, institutions must report enrollment changes to the NSLDS within 30 days when attendance changes. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Virginia Highland's untimely submission of inaccurate data to the NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Virginia Highlands management should implement corrective action to ensure that the college is reporting accurate student enrollment status changes to NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

2022-82: Properly Reconcile Federal Bank Accounts**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Virginia Highlands Business Office personnel did not adequately reconcile the federal funds account. The underlying cause for the noncompliance is attributable to staffing concerns, specifically, a vacant position in the Business Office. During aid year 2022, we noted the following noncompliance in the reconciliations reviewed:

- The Business Office did not timely reconcile three out of four (75%) reconciliations sampled; and
- The Business Office did not timely address all reconciling items on one out of four (25%) reconciliations sampled.

In accordance with 34 CFR § 675.19(b)(2)(iv) and 34 CFR § 676.19(b)(2), institutions must establish, maintain, and monthly reconcile program and fiscal records for campus-based programs. By not properly reconciling the federal bank account monthly as required, Virginia Highlands 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.

Virginia Highlands should ensure that there are sufficient Business Office personnel that can reconcile the federal bank account timely and promptly address reconciling items. Management should implement corrective action to prevent future noncompliance.

2022-83: Promptly Return Unclaimed Aid to Department of Education**Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Virginia Highlands Business Office personnel did not return unclaimed student financial aid funds to the U. S. Department of Education within the required timeframe. Specifically, at the time of audit, Virginia Highlands personnel did not return a total of \$9,961 for fiscal year 2022. The primary cause of the noncompliance is attributable to staff turnover, specifically a vacancy within the Business Office.

In accordance with 34 CFR § 668.164(l), if an institution attempts to disburse the funds by check and the recipient does not cash the check, the institution must return the funds no later than 240 days after the date it issued the check or no later than 45 days after the rejection of an EFT. By not returning

funds timely, the institution is subject to federal non-compliance and potential adverse actions that may affect Virginia Highlands participation in Title IV aid programs.

If the Business Office is unable to contact the federal aid recipient and the recipient does not cash the check, or the banking institution rejects the EFT, the Business Office should return the unclaimed funds to Education within the required timeframe. The Business Office should also ensure there are sufficient personnel to track unclaimed Title IV funds and to assist with the timely return of funds to Education.

2022-84: Ensure an Accurate FISAP is Submitted to Department of Education

Topic: Student Financial Assistance

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Virginia Highlands personnel inaccurately reported an overstatement of \$308,053 on Field 22 - Total Tuition and Fees in Section II of the College's FISAP by extracting the incorrect figure which included continuing education. The underlying cause of the error is due to insufficient management oversight.

In accordance with 34 CFR § 675.19 (b)(3) and 676.19(b)(3), each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall report accurate information on the form and submit it at the time the Secretary specifies. The FISAP instructions provided by Education further informs institutions of what to report in Section II, Field 22. 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, Education does not have accurate information from which to make funding decisions.

Management should review the FISAP instructions and ensure Virginia Highlands reports the proper amounts on Section II, Field 22 of the FISAP.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
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January 18, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **the Virginia Community College System (System)** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated January 18, 2024. Our report includes a reference to other auditors who audited the financial statements of the component units of the System, as described in our report on the System's financial statements. The other auditors did not audit the financial statements of the component units of the System in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component units of the System.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 2022-01 through 2022-84 in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" with the following finding numbers:

Finding Numbers: 2022-

02	08	11	12	13	15	19	20	21	22
23	24	25	26	27	28	29	30	31	32
33	35	36	37	38	39	40	41	43	44
45	46	47	48	49	50	51	52	53	56
57	58	59	61	62	63	64	65	66	67
68	69	70	71	72	73	74	75	77	78
80	81	82	83	84					

The System's Response to Findings

We discussed this report with management at an exit conference held on January 30, 2024. Government Auditing Standards require the auditor to perform limited procedures on the System's response to the findings identified in our audit, which is included in the accompanying section titled "Virginia Community College System – Report Response." The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

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

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

- 2013: Improve Process Over Employee Terminations (2022-44)
- 2018-24: Improve Controls over Fixed Asset Inventory (2022-55)
- 2018-25: Remove System Access When Employees No Longer Need Access (2022-56)
- 2018-30: Confirm Retirement Contributions within the Required Timeframe (2022-60)
- 2018-51: Develop and Implement Policies and Procedures for Employee Terminations (2022-35)
- 2018-60: Strengthen Interdepartmental Communications Related to Terminated Employees (2022-15)
- 2018-70: Promptly Return Unclaimed Aid to Department of Education (2022-69)
- 2018-80: Improve Reporting to National Student Loan Data System (2022-65)
- 2019-01: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition (2022-06)

- 2019-05: Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports (2022-05)
- 2019-11: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees (2022-12)
- 2019-15: Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts (2022-18)
- 2020-03: Address Inconsistencies in Employee Personnel Records (2022-07)
- 2020-19: Continue to Strengthen Internal Controls over Physical Inventory (2022-16)
- 2021-02: Improve Policies and Procedures for Capital Assets (2022-03)
- 2021-09: Improve the Monitoring of Critical Systems Access (2022-11)

Additionally, refer to Appendix III: “Status of Prior Findings” for a cross-reference between the prior and current year findings.

Purpose of this Report

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JMR/clj

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
System Office		
2022-01	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-02	Improve Database Security	Information Security
2022-03	Improve Policies and Procedures for Capital Assets	Capital Assets
2022-04	Properly Report Current and Noncurrent Prepaid Expenses	Financial Accounting and Reporting
2022-05	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
2022-06	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	Financial Accounting and Reporting
2022-07	Address Inconsistencies in Employee Personnel Records	Human Resources and Payroll
Shared Service Center		
2022-08	Perform Annual Access Review of the Commonwealth's Retirement Benefits System	Human Resources and Payroll
Northern Virginia Community College		
2022-09	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-10	Properly Record Asset Acquisition Date	Capital Assets
2022-11	Improve the Monitoring of Critical Systems Access	Access Control
2022-12	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
2022-13	Comply with Employment Eligibility Requirements	Human Resources and Payroll

Tidewater Community College		
2022-14	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-15	Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
2022-16	Continue to Strengthen Internal Controls over Physical Inventory	Capital Assets
John Tyler Community College		
2022-17	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-18	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	Capital Assets
2022-19	Perform Annual Access Review of the Commonwealth's Retirement Benefits System	Human Resources and Payroll
2022-20	Comply with Employment Eligibility Requirements	Human Resources and Payroll
Lord Fairfax Community College		
2022-21	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-22	Perform an Evaluation of Student Information System Access Roles for College Personnel	Student Financial Assistance
2022-23	Strengthen the Schedule of Expenditures of Federal Awards Review Process	Student Financial Assistance
2022-24	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-25	Improve Return of Title IV Calculation Processes	Student Financial Assistance
2022-26	Improve Federal Direct Loan Reconciliations	Student Financial Assistance
2022-27	Improve Notification Process for Federal Awards to Students	Student Financial Assistance
Virginia Western Community College		
2022-28	Reconcile Federal Fund Accounts	Student Financial Assistance
2022-29	Improve Federal Direct Loan Reconciliations	Student Financial Assistance
2022-30	Properly Reconcile Federal Bank Accounts	Student Financial Assistance

2022-31	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Student Financial Assistance
2022-32	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-33	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance
Germanna Community College		
2022-34	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-35	Develop and Implement Policies and Procedures for Employee Terminations	Human Resources and Payroll
2022-36	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-37	Perform an Evaluation of Student Information System Access Roles for College Personnel	Student Financial Assistance
Southside Virginia Community College		
2022-38	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-39	Improve Return of Title IV Calculation Processes	Student Financial Assistance
2022-40	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-41	Perform an Evaluation of Student Information System Access Roles for College Personnel	Student Financial Assistance
Eastern Shore Community College		
2022-42	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-43	Improve the Monitoring of Critical Systems Access	Access Control
2022-44	Improve Process over Employee Terminations	Human Resources and Payroll
Patrick Henry Community College		
2022-45	Improve Documentation When Handling Federal Funds	Student Financial Assistance
2022-46	Improve Compliance over Title IV Calculations and Returns	Student Financial Assistance
2022-47	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2022-48	Improve Reporting to National Student Loan Data System	Student Financial Assistance

New River Community College		
2022-49	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-50	Perform an Evaluation of Student Information System Access Roles for College Personnel	Student Financial Assistance
2022-51	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2022-52	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-53	Strengthen the Schedule of Expenditures of Federal Awards Review Process	Student Financial Assistance
Piedmont Virginia Community College		
2022-54	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-55	Improve Controls over Fixed Asset Inventory	Capital Assets
2022-56	Remove System Access When Employees No Longer Need Access	Access Control
2022-57	Improve Controls over Financial System Reconciliations	Financial Accounting and Reporting
2022-58	Improve the Monitoring of Critical Systems Access	Access Control
2022-59	Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
2022-60	Confirm Retirement Contributions within the Required Timeframe	Human Resources and Payroll
Dabney S. Lancaster Community College		
2022-61	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-62	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Student Financial Assistance
2022-63	Promptly Identify Title IV Withdrawals	Student Financial Assistance
2022-64	Provide Timely Notification of Disbursements to Students	Student Financial Assistance
2022-65	Improve Reporting to National Student Loan Data System	Student Financial Assistance

2022-66	Promptly Complete Federal Verification Prior to Disbursing Title IV Aid	Student Financial Assistance
Central Virginia Community College		
2022-67	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Information Security
2022-68	Promptly Disburse Credit Balances to Students	Student Financial Assistance
2022-69	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2022-70	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Student Financial Assistance
2022-71	Properly Perform Return of Title IV Calculations	Student Financial Assistance
2022-72	Improve Federal Direct Loan Reconciliations	Student Financial Assistance
2022-73	Improve Notification Process for Federal Awards to Students	Student Financial Assistance
2022-74	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-75	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance
Virginia Highlands Community College		
2022-76	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Financial Accounting and Reporting
2022-77	Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
2022-78	Improve Controls Over Access to the Commonwealth's Retirement Benefits System	Human Resources and Payroll
2022-79	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Human Resources and Payroll
2022-80	Perform an Evaluation of Student Information System Access Roles for College Personnel	Student Financial Assistance
2022-81	Improve Reporting to National Student Loan Data System	Student Financial Assistance
2022-82	Properly Reconcile Federal Bank Accounts	Student Financial Assistance
2022-83	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
2022-84	Ensure an Accurate FISAP is Submitted to Department of Education	Student Financial Assistance

SCHEDULE OF FINDINGS BY TOPIC

Report ID Number/ Finding Topic	Finding Title	Entity
Access Control		
2022-11	Improve the Monitoring of Critical Systems Access	Northern Virginia Community College
2022-43	Improve the Monitoring of Critical Systems Access	Eastern Shore Community College
2022-56	Remove System Access When Employees No Longer Need Access	Piedmont Virginia Community College
2022-58	Improve the Monitoring of Critical Systems Access	Piedmont Virginia Community College
Capital Assets		
2022-03	Improve Policies and Procedures for Capital Assets	System Office
2022-10	Properly Record Asset Acquisition Date	Northern Virginia Community College
2022-16	Continue to Strengthen Internal Controls over Physical Inventory	Tidewater Community College
2022-18	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	John Tyler Community College
2022-55	Improve Controls over Fixed Asset Inventory	Piedmont Virginia Community College
Financial Accounting and Reporting		
2022-01	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	System Office
2022-04	Properly Report Current and Noncurrent Prepaid Expenses	System Office
2022-06	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	System Office

Report ID Number/ Finding Topic	Finding Title	Entity
2022-09	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Northern Virginia Community College
2022-14	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Tidewater Community College
2022-17	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	John Tyler Community College
2022-34	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Germanna Community College
2022-42	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Eastern Shore Community College
2022-54	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Piedmont Virginia Community College
2022-57	Improve Controls over Financial System Reconciliations	Piedmont Virginia Community College
2022-76	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Virginia Highlands Community College
Human Resources and Payroll		
2022-07	Address Inconsistencies in Employee Personnel Records	System Office
2022-08	Perform Annual Access Review of the Commonwealth's Retirement Benefits System	Shared Service Center
2022-12	Continue to Strengthen Interdepartmental Communication Related to Terminated Employees	Northern Virginia Community College
2022-13	Comply with Employment Eligibility Requirements	Northern Virginia Community College
2022-15	Strengthen Interdepartmental Communications Related to Terminated Employees	Tidewater Community College
2022-19	Perform Annual Access Review of the Commonwealth's Retirement Benefits System	John Tyler Community College

Report ID Number/ Finding Topic	Finding Title	Entity
2022-20	Comply with Employment Eligibility Requirements	John Tyler Community College
2022-35	Develop and Implement Policies and Procedures for Employee Terminations	Germanna Community College
2022-44	Improve Process over Employee Terminations	Eastern Shore Community College
2022-59	Strengthen Interdepartmental Communications Related to Terminated Employees	Piedmont Virginia Community College
2022-60	Confirm Retirement Contributions within the Required Timeframe	Piedmont Virginia Community College
2022-77	Strengthen Interdepartmental Communications Related to Terminated Employees	Virginia Highlands Community College
2022-78	Improve Controls Over Access to the Commonwealth's Retirement Benefits System	Virginia Highlands Community College
2022-79	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Virginia Highlands Community College
Information Security		
2022-02	Improve Database Security	System Office
2022-21	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Lord Fairfax Community College
2022-36	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Germanna Community College
2022-38	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Southside Virginia Community College
2022-49	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	New River Community College
2022-61	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Dabney S. Lancaster Community College
2022-67	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Central Virginia Community College

Report ID Number/ Finding Topic	Finding Title	Entity
Procurement/Contract Management		
	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	System Office
2022-05		
Student Financial Assistance		
	Perform an Evaluation of Student Information System Access Roles for College Personnel	Lord Fairfax Community College
2022-22		
	Strengthen the Schedule of Expenditures of Federal Awards Review Process	Lord Fairfax Community College
2022-23		
	Improve Reporting to National Student Loan Data System	Lord Fairfax Community College
2022-24		
	Improve Return of Title IV Calculation Processes	Lord Fairfax Community College
2022-25		
	Improve Federal Direct Loan Reconciliations	Lord Fairfax Community College
2022-26		
	Improve Notification Process for Federal Awards to Students	Lord Fairfax Community College
2022-27		
	Reconcile Federal Fund Accounts	Virginia Western Community College
2022-28		
	Improve Federal Direct Loan Reconciliations	Virginia Western Community College
2022-29		
	Properly Reconcile Federal Bank Accounts	Virginia Western Community College
2022-30		
	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Virginia Western Community College
2022-31		
	Improve Reporting to National Student Loan Data System	Virginia Western Community College
2022-32		
	Ensure an Accurate FISAP is Submitted to Department of Education	Virginia Western Community College
2022-33		
	Perform an Evaluation of Student Information System Access Roles for College Personnel	Germanna Community College
2022-37		
	Improve Return of Title IV Calculation Processes	Southside Virginia Community College
2022-39		
	Improve Reporting to National Student Loan Data System	Southside Virginia Community College
2022-40		

Report ID Number/ Finding Topic	Finding Title	Entity
2022-41	Perform an Evaluation of Student Information System Access Roles for College Personnel	Southside Virginia Community College
2022-45	Improve Documentation When Handling Federal Funds	Patrick Henry Community College
2022-46	Improve Compliance over Title IV Calculations and Returns	Patrick Henry Community College
2022-47	Promptly Return Unclaimed Aid to Department of Education	Patrick Henry Community College
2022-48	Improve Reporting to National Student Loan Data System	Patrick Henry Community College
2022-50	Perform an Evaluation of Student Information System Access Roles for College Personnel	New River Community College
2022-51	Promptly Return Unclaimed Aid to Department of Education	New River Community College
2022-52	Improve Reporting to National Student Loan Data System	New River Community College
2022-53	Strengthen the Schedule of Expenditures of Federal Awards Review Process	New River Community College
2022-62	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Dabney S. Lancaster Community College
2022-63	Promptly Identify Title IV Withdrawals	Dabney S. Lancaster Community College
2022-64	Provide Timely Notification of Disbursements to Students	Dabney S. Lancaster Community College
2022-65	Improve Reporting to National Student Loan Data System	Dabney S. Lancaster Community College
2022-66	Promptly Complete Federal Verification Prior to Disbursing Title IV Aid	Dabney S. Lancaster Community College
2022-68	Promptly Disburse Credit Balances to Students	Central Virginia Community College
2022-69	Promptly Return Unclaimed Aid to Department of Education	Central Virginia Community College
2022-70	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Central Virginia Community College
2022-71	Properly Perform Return of Title IV Calculations	Central Virginia Community College
2022-72	Improve Federal Direct Loan Reconciliations	Central Virginia Community College

Report ID Number/ Finding Topic	Finding Title	Entity
2022-73	Improve Notification Process for Federal Awards to Students	Central Virginia Community College
2022-74	Improve Reporting to National Student Loan Data System	Central Virginia Community College
2022-75	Ensure an Accurate FISAP is Submitted to Department of Education	Central Virginia Community College
2022-80	Perform an Evaluation of Student Information System Access Roles for College Personnel	Virginia Highlands Community College
2022-81	Improve Reporting to National Student Loan Data System	Virginia Highlands Community College
2022-82	Properly Reconcile Federal Bank Accounts	Virginia Highlands Community College
2022-83	Promptly Return Unclaimed Aid to Department of Education	Virginia Highlands Community College
2022-84	Ensure an Accurate FISAP is Submitted to Department of Education	Virginia Highlands Community College

STATUS OF PRIOR FINDINGS

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
Blue Ridge Community College			
2019-19	Improve Controls over Employee Terminations	Deferred	N/A
Blue Ridge Community College - Student Financial Aid			
2019-20	Improve Enrollment Reporting Process	Deferred	N/A
Central Virginia Community College			
2016-N/A**	Improve Capital Asset Inventory and Tracking - Repeat	Deferred	N/A
2016-N/A**	Properly Remit Unclaimed Property - Repeat	Deferred	N/A
Central Virginia Community College - Student Financial Aid			
2018-67	Reconcile Financial Aid Activity to Federal Systems	Resolved	N/A
2018-68	Improve Reporting to National Student Loan Data System	Resolved	N/A
2018-69	Properly Process Title IV Refund Calculations	Resolved	N/A
2018-70	Return Unclaimed Aid to Department of Education	Reissued	2022-69
2018-71	Improve Cash Management Procedures	Resolved	N/A
2018-72	Perform Monthly Bank Reconciliations	Resolved	N/A
2018-73	Improve Reporting to the Common Origination and Disbursement System	Resolved	N/A
Dabney S. Lancaster Community College			
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
Dabney S. Lancaster Community College - Student Financial Aid			
2018-80	Improve Reporting to National Student Loan Data System	Reissued	2022-65
Danville Community College			
2019-21	Ensure Financial Functions Are Maintained During Turnover	Deferred	N/A

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
Danville Community College - Student Financial Aid			
2020-41	Reconcile Federal Aid Programs Timely	Deferred	N/A
2020-42	Promptly Disburse Credit Balances to Students	Deferred	N/A
2020-43	Properly Manage Return of Title IV Funds	Deferred	N/A
2020-44	Promptly Return Unclaimed Aid to Department of Education	Deferred	N/A
2020-45	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Deferred	N/A
2020-46	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Deferred	N/A
2020-47	Improve Direct Loan Quality Assurance Program	Deferred	N/A
2020-48	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred	N/A
2020-49	Improve Reporting to the Common Origination and Disbursement System	Deferred	N/A
2020-50	Ensure Student Information System Roles as Assigned Properly	Deferred	N/A
2020-51	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A
Eastern Shore Community College			
2017-32	Improve Retirement System Reconciliation Process	Resolved	N/A
2017-33	Improve Processes Over Employee Terminations	Reissued	2022-44
2017-34	Improve Human Resources Data Reporting Procedures	Resolved	N/A
2017-35	Improve Documentation of Policies and Procedures	Resolved	N/A
2017-36	Improve Capital Asset Controls	Resolved	N/A
2017-37	Properly Approve P-3 Forms	Resolved	N/A
2017-38	Properly Maintain Faculty Records	Resolved	N/A
Eastern Shore Community College - Student Financial Aid			
2017-53	Improve Reporting to National Student Loan Data System	Deferred	N/A
Germanna Community College			
2018-48	Develop and Document Policies and Procedures for Operationalizing Payroll and Human Resource Functions	Resolved	N/A
2018-49	Remove System Access No Longer Necessary to Perform Job Duties	Resolved	N/A

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2018-50	Improve Payroll Document Retention	Resolved	N/A
2018-51	Develop and Implement Policies and Procedures for Employee Terminations	Reissued	2022-35
2018-52	Document Justification for Prepaying Expenses	Resolved	N/A
J. Sargeant Reynolds Community College			
2021-19	Strengthen Communications and Procedures Related to Terminated Employees	Deferred	N/A
2021-20	Ensure Terminated Employees are Properly Terminated in the Commonwealth's Payroll System	Deferred	N/A
2021-21	Properly Accrue Prepaid Expenses	Deferred	N/A
2021-22	Develop and Implement Policies and Procedures to Comply with 1,508 Rule for Wage Employees	Deferred	N/A
2021-23	Improve Internal Controls over New Hire Documentation	Deferred	N/A
2021-24	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Deferred	N/A
J. Sargeant Reynolds Community College - Student Financial Aid			
2018-77	Improve Direct Loan Reconciliations	Deferred	N/A
2018-78	Resolve Federal Department of Education Findings	Deferred	N/A
John Tyler Community College			
2019-15	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	Reissued	2022-18
2019-16	Perform Adequate Bank Reconciliations and Report Bank Balances Accurately	Resolved	N/A
2019-17	Properly Document Discrepancies and Adhere to Policies Regarding Federal Aid Reconciliations	Resolved	N/A
2019-18	Deactivate Access to the Commonwealth's Purchasing System Timely	Resolved	N/A
John Tyler Community College - Student Financial Aid			
2021-40	Strengthen the Schedule of Expenditures of Federal Awards Process	Deferred	N/A
2021-41	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred	N/A

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2021-42	Improve Reporting to the Common Origination and Disbursement System	Deferred	N/A
2021-43	Promptly Return Unclaimed Aid to Department of Education	Deferred	N/A
2021-44	Properly Perform Return of Title IV Calculations	Deferred	N/A
2021-45	Improve Federal Direct Loan Reconciliations	Deferred	N/A
2021-46	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Deferred	N/A
2021-47	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A
Lord Fairfax Community College			
2021-25	Continue to Improve System Access Controls	Deferred	N/A
2021-26	Perform Federal Aid Program Reconciliations	Deferred	N/A
2021-27	Continue to Ensure Proper Capitalization and Retention of Records for Capital Assets	Deferred	N/A
2021-28	Ensure Compliance with Cash Management Requirements	Deferred	N/A
2021-29	Strengthen Communications and Procedures Related to Terminated Employees	Deferred	N/A
2021-30	Improve Internal Controls over Accounts Receivable Reporting	Deferred	N/A
2021-31	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Deferred	N/A
Mountain Empire Community College			
2020-61	Improve Knowledge of Accounting System Roles and Update Policies as Needed	Deferred	N/A
2020-62	Reconcile the Human Resource and Retirement Systems Before Confirming	Deferred	N/A
2020-63	Communicate the Importance of Termination Procedures	Deferred	N/A
New River Community College			
2021-32	Strengthen Communications and Procedures Related to Terminated Employees	Deferred	N/A
Northern Virginia Community College			
2021-09	Improve the Monitoring of Critical System Access	Reissued	2022-11

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2021-10	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Reissued	2022-12
Northern Virginia Community College - Student Financial Aid			
2021-11	Reconcile Federal Assistance Programs	Deferred	N/A
2021-12	Improve Notification Process for Federal Loan Awards to Students	Resolved	N/A
2021-13	Improve Compliance over Enrollment Reporting	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
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
2017-18	Report Allowance for Doubtful Accounts Quarterly	Deferred	N/A
2017-19	Improve Revenue Contract Procurement and Management	Deferred	N/A
2017-20	Ensure Leave Liability Report is Complete	Deferred	N/A
2017-21	Implement Proper Procedures for Classifying Missing Assets	Deferred	N/A
2017-22	Establish Chain of Custody Protocol for Critical Documentation	Deferred	N/A
Paul D. Camp Community College - Student Financial Aid			
2018-79	Improve Reporting to National Student Loan Data System	Deferred	N/A
Piedmont Virginia Community College			
2018-24	Improve Controls over Capital Asset Inventory	Reissued	2022-55
2018-25	Remove System Access When Employees No Longer Need Access	Reissued	2022-56
2018-26	Properly Monitor Grant Programs to Ensure Proper Accounting and Compliance for Accounts Receivable	Resolved	N/A

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2018-27	Properly Consider if the Costs Associated with Putting an Asset into Service Should be Capitalized	Resolved	N/A
2018-28	Ensure Payroll Reconciliation is Performed as Required	Resolved	N/A
2018-29	Perform and Document Retirement Benefit System Reconciliations	Resolved	N/A
2018-30	Confirm Retirement Contributions within the Required Timeframe	Reissued	2022-60
2018-31	Properly Accrue Prepaid Expenses	Resolved	N/A
Piedmont Virginia Community College - Student Financial Aid			
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
Rappahannock Community College			
2021-33	Ensure Annual Review of Account Systems is Performed	Deferred	N/A
2021-34	Improve Internal Controls over Timing of Cash Collection Deposits	Deferred	N/A
2021-35	Update Policies and Procedures for Cash Management Requirements	Deferred	N/A
2021-36	Strengthen Communications and Procedures Related to Terminated Employees	Deferred	N/A
2021-37	Improve the Annual Access Review of the Human Resources System to Ensure Appropriateness of System Access	Deferred	N/A
2021-38	Perform and Document Reconciliation of Commonwealth's Retirement Benefits System	Deferred	N/A
2021-39	Assign Contract Administrator Responsibilities in Writing	Deferred	N/A
Rappahannock Community College - Student Financial Aid			
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
Shared Services Center			
2021-06	Develop and Implement Policies and Procedures Over Payroll Certifications and Reconciliations	Resolved	N/A

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2021-07	Continue to Improve Information Available to Community Colleges Related to Prepayments	Resolved	N/A
2021-08	Improve the Effectiveness of the Annual Systems Access Certification	Resolved	N/A
Southside Virginia Community College			
2020-38	Seek Clarification and Apply Policies Consistent with Expectations	Deferred	N/A
2020-39	Continue to Improve Controls over Terminated Employees	Deferred	N/A
2020-40	Continue to Improve Capital Asset Inventory and Tracking	Deferred	N/A
Southwest Virginia Community College			
2015-N/A**	Ensure Proper Monitoring of Auxiliary Contracts	Deferred	N/A
2015-N/A**	Improve Capital Asset Inventory Tracking	Deferred	N/A
Southwest Virginia Community College - Student Financial Aid			
2020-52	Reconcile Federal Funds Timely	Deferred	N/A
2020-53	Properly Manage Return of Title IV Funds	Deferred	N/A
2020-54	Promptly Return Unclaimed Aid to Department of Education	Deferred	N/A
2020-55	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred	N/A
2020-56	Ensure Student Status Changes are Reported Accurately and Timely	Deferred	N/A
2020-57	Ensure Student System Roles as Assigned Properly	Deferred	N/A
2020-58	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Deferred	N/A
2020-59	Improve Reporting to the Common Origination and Disbursement System	Deferred	N/A
2020-60	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A
System Office			
2020-07	Monitor Statewide WIOA Grant Program According to Policy	Deferred	N/A
2020-08	Perform Certifications for Commonwealth's Retirement Benefits System	Deferred	N/A
2020-09	Improve Controls Over Access to Commonwealth's Human Resource System	Deferred	N/A
2020-10	Continue to Improve Procedures for Employee Separation	Deferred	N/A
2021-01	Provide Oversight and Guidance Related to College Financial Reporting	Resolved	N/A
2021-02	Improve Policy and Procedures for Capital Assets	Reissued	2022-03

Entity/Report ID Number	Finding Title	Follow-up Disposition*	Current Year Report ID Number
2021-03	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	Reissued	2022-05
2021-04	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment	Reissued	2022-06
2021-05	Address Inconsistencies in Employee Personnel Records	Reissued	2022-07
Thomas Nelson Community College			
2020-24	Strengthen Internal Controls over Journal Entries	Deferred	N/A
2020-25	Perform Complete Physical Inventory	Deferred	N/A
2020-26	Ensure Revenue is Recorded Timely	Deferred	N/A
2020-27	Deactivate Access to Commonwealth's Purchasing System Timely	Deferred	N/A
2020-28	Perform Annual Access Review of the Commonwealth Human Resource System	Deferred	N/A
Thomas Nelson Community College - Student Financial Aid			
2020-29	Reconcile Federal Aid Programs Timely	Deferred	N/A
2020-30	Promptly Return Unclaimed Aid to Department of Education	Deferred	N/A
2020-31	Report Student Status Changes Accurately and Timely to National Student Loan Data System	Deferred	N/A
2020-32	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred	N/A
2020-33	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred	N/A
2020-34	Properly Complete Exit Counseling for Direct Loan Borrowers	Deferred	N/A
2020-35	Ensure Student Information System Roles are Assigned Properly	Deferred	N/A
2020-36	Improve Direct Loan Quality Assurance Program	Deferred	N/A
2020-37	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A
Tidewater Community College			
2021-14	Improve Capital Asset Inventory and Tracking	Resolved	N/A
2021-15	Continue to Strengthen Internal Controls Over Physical Inventory	Reissued	2022-16
2021-16	Continue to Strengthen Communication and Procedures Related to Terminated Employees	Reissued	2022-15

Tidewater Community College - Student Financial Aid			
2021-17	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A
2021-18	Report Student Enrollment Changes Accurately and Timely to National Student Loan Data System	Deferred	N/A
Virginia Highlands Community College			
2015-N/A**	Improve Documentation of Policies and Procedures	Resolved	N/A
2015-N/A**	Assign System Access Based on Least Privilege	Resolved	N/A
Virginia Western Community College			
2020-22	Improve Capital Asset Inventory and Tracking	Deferred	N/A
2020-23	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employee	Deferred	N/A
Virginia Western Community College - Student Financial Aid			
2018-74	Improve Notification Process for Federal Direct Loan Awards to Students	Resolved	N/A
2018-75	Reconcile Federal Aid Programs Timely	Resolved	N/A
2018-76	Resolve Federal Department of Education Findings	Resolved	N/A
Wytheville Community College			
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
Wytheville Community College - Student Financial Aid			
2020-64	Reconcile Federal Funds Timely	Deferred	N/A
2020-65	Perform Federal Direct Loan Reconciliations Timely	Deferred	N/A
2020-66	Promptly Return Unclaimed Aid to Department of Education	Deferred	N/A
2020-67	Ensure Student Status Changes are Reported Accurately and Timely	Deferred	N/A
2020-68	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred	N/A
2020-69	Enhance Notification for Borrowers that have not Completed Exit Counseling	Deferred	N/A
2020-70	Ensure Student System Roles are Assigned Properly	Deferred	N/A

2020-71	Improve Direct Loan Quality Assurance Program	Deferred	N/A
2020-72	Improve Federal Direct Loan Borrower Notification Process	Deferred	N/A
2020-73	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred	N/A

* Deferred: audit procedures were not performed as part of the current year audit but are planned for the future.

** Resolved: 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
Accounts	Department of Accounts
Business Office	Employees collectively responsible for: financial reporting, payroll, procurement, capital assets, human resources, and/or student financial assistance
Cancelled Records Report	Virginia Retirement System's ER Centralized State Systems Cancelled Records Report
CAPP	Commonwealth Accounting Policies and Procedures
Central Virginia	Central Virginia Community College
CFR	United States Code of Federal Regulations
CIS Benchmark	Center for Internet Security
COD System	Common Origination and Disbursement System
Colleges	Community colleges
CUECs	Complementary user entity controls
Dabney S. Lancaster	Dabney S. Lancaster Community College
Eastern Shore	Eastern Shore Community College
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
FOIAE	Freedom of Information Act Exempt
Form I-9	Employment Eligibility Verification Form I-9
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
Germanna	Germanna Community College
GLBA	Gramm-Leach-Bliley Act
Homeland Security	United States Department of Homeland Security
Human Resources	Human resources department for each individual college
IEC	International Electrotechnical Commission
ISO	International Organization for Standardization
IT	Information Technology
John Tyler	John Tyler Community College
Lord Fairfax	Lord Fairfax Community College
New River	New River Community College
Northern Virginia	Northern Virginia Community College
NSLDS	National Student Loan Data System
Patrick Henry	Patrick Henry Community College
Piedmont Virginia	Piedmont Virginia Community College
Retirement System	Virginia Retirement System
SAS	School Account Statement
Secretary	Secretary of Education

Abbreviations/Acronyms	Definition
SEFA	Schedule of Expenditures of Federal Awards
Shared Services	Shared Services Center
Southside Virginia	Southside Virginia Community College
SOC	System and Organization Controls
System	Virginia Community College System
System Office	Virginia Community College System Office
Systems' 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
Education	United States Department of Education
Virginia Highlands	Virginia Highlands Community College
Virginia Western	Virginia Western Community College



February 12, 2024

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, 2022.

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,

A handwritten signature in black ink, appearing to read "David Doré", with a stylized flourish at the end.

David Doré
Chancellor

Enclosure

cc: Dr. Craig Herndon

STATE BOARD FOR COMMUNITY COLLEGES

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COMMUNITY COLLEGE CHANCELLOR AND PRESIDENTS

As of June 30, 2022

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Interim Chancellor, Virginia Community College System

Blue Ridge Community College
Central Virginia Community College
Dabney S. Lancaster Community College
Danville Community College (Interim President)
Eastern Shore Community College
Germanna Community College
J. Sargeant Reynolds Community College
John Tyler Community College
Lord Fairfax Community College
Mountain Empire Community College
New River Community College
Northern Virginia Community College
Patrick Henry Community College
Paul D. Camp Community College
Piedmont Virginia Community College
Rappahannock Community College
Southside Virginia Community College
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Thomas Nelson Community College
Tidewater Community College
Virginia Highlands Community College
Virginia Western Community College
Wytheville Community College

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