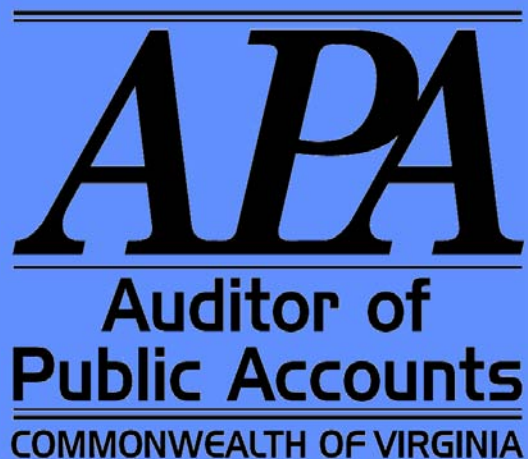


VIRGINIA COMMUNITY COLLEGE SYSTEM

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Virginia Community College System for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects, with generally accepted accounting principles
- certain internal control matters requiring management's attention; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

The Virginia Community College System has successfully implemented a new financial system, known as the Administration Information System (PeopleSoft Financials). The Community College System implemented the general ledger, accounts payable, purchasing components, procurement card, and fixed assets modules. In addition, they integrated AIS with eVA, the Commonwealth's procurement system. PeopleSoft has additional modules and capabilities, which gives the Community College System the opportunity to expand the system into other administrative aspects in the future, as funding becomes available. As with any major implementation of a modern system, there exist opportunities to further enhance operations and re-examine the system's impact on existing internal controls and processes.

As part of our audit process, we conducted a post-implementation review of the Administrative Information System and noted a successful implementation. We also found opportunities that we believe reduce manual efforts and improve internal controls, "Reduce Manual Processes and Controls" and "Improve AIS Access Roles." This report also includes various internal control and compliance findings and recommendations.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

The Virginia Community College System has successfully implemented a new financial system, known as the Administration Information System (PeopleSoft Financials). The Community College System implemented the general ledger, accounts payable, purchasing components, procurement card, and fixed assets modules. In addition, they integrated AIS with eVA, the Commonwealth's procurement system. PeopleSoft has additional modules and capabilities, which gives the Community College System the opportunity to expand the system into other administrative aspects in the future, as funding becomes available. As with any major implementation of a modern system, there exist opportunities to further enhance operations and re-examine the system's impact on existing internal controls and processes.

As part of our audit process, we conducted a post-implementation review of the Administrative Information System and noted a successful implementation. In addition, we have found an opportunity that we believe reduces manual efforts and improves internal controls.

Reduce Manual Processes and Controls

The Community College System did not implement an automated workflow process for electronic routing and approving of transactions during the implementation of the Administrative Information System, as noted in the finding "Improve AIS Access Roles." Because of this and the lack of separation of duties in the AIS access roles, the Community College System continues to rely on manual approval of transactions outside of the system.

In the current environment where the Commonwealth is working toward increased automation and efficiency, manual approvals are a weakness rather than a strength, especially when inserted into an otherwise automated process. Review and approval of a hardcopy provides no assurance over the accuracy of the system recorded information. This form of approval increases the risk of inaccurate and inappropriate transactions and the risk that employees will circumvent controls.

The Community College System should either implement automated workflow in the Administrative Information System or restructure and assign user roles to not allow users to enter and approve their own transactions, as recommended in the finding "Improve AIS Access Roles." Either of these options will provide stronger controls, a more efficient process, and a reduction in paperwork by automating the entire process.

Improve AIS Access Roles

Community College System management did not follow the best practice of "least privileges" when establishing user access to its new Administrative Information System, which replaced the Financial Records System. The implementation team created access through position-based roles. These roles supposedly mirrored the segregation of duties within a college. However,

the implementation team created these roles cumulatively so that each subsequent role has all the permissions of the preceding role.

The creation of roles in this manner prevents the separation of access to enter and approve transactions within the system and increases the risk of inappropriate transactions. Any segregation of duties must occur at the individual colleges through a manual process. In addition, because the Community College System did not implement workflow, an electronic routing and approval process for transactions, the Administrative Information System does not contain the data necessary to monitor whether individuals are entering and approving the same transactions, therefore negating any separation of duties.

Our review of access at several community colleges found that colleges are granting access to individuals using the least privilege roles. However, numerous roles enable the user to enter and approve transactions, which significantly compromises the separation of duties functions essential for internal control.

If the implementation team creates roles that separate transaction entry from approval, the colleges could refine employee access to match just what they need to do their job. Due to the lack of data in the Administrative Information System noted above, we were unable to determine how often individuals entered and approved the same transaction and whether the transactions are reasonable.

The Community College System should review its user roles and restructure them to not allow users to enter and approve their own transactions. Managing segregation of duties electronically within the financial system through user access rather than through manual processes is more efficient and effective, provides a documented audit trail, and reduces the risk of inappropriate transactions. Once this restructuring is complete, the colleges should reevaluate user access and make changes to better reflect actual segregation of duties within the college financial processes.

Update Policies and Procedures

Applicable to: Germanna Community College
Northern Virginia Community College
Southside Virginia Community College
Southwest Virginia Community College
Thomas Nelson Community College

Germanna, Northern Virginia, Southside Virginia, Southwest Virginia, and Thomas Nelson Community Colleges have not completely updated their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial system, Administrative Information System (AIS). The initial implementation occurred in July 2007 with implementation of additional areas over the past two years.

Having documented policies and procedures that support use of the new AIS helps ensure consistent use of the system and minimizes the risk of non-compliance or errors. The System Office has provided user manuals related to each installed module. However, the colleges should update their policies and procedures to consider any changes in processes or controls that occurred due to the implementation of AIS. The System Office should establish a timeline to have all of the individual colleges update their policies and procedures.

Follow eVA Security Standards

Applicable to: Northern Virginia Community College
Thomas Nelson Community College

During fiscal year 2008, Northern Virginia and Thomas Nelson Community Colleges' eVA Security Officers did not conduct quarterly reviews of user accounts. The eVA Security Standards require that the eVA Security Officer perform quarterly reviews and maintain documentation of the reviews. The purpose of these reviews is to ensure all accounts are appropriate and that the approval chains are still active and appropriate. The eVA Security Officers also did not deactivate users timely. Performing the quarterly reviews may have prevented the untimely deactivation of users by catching them earlier. Northern Virginia and Thomas Nelson should follow the eVA Security Standards when conducting quarterly reviews to ensure all accounts are up to date.

Deactivate eVA Accounts Timely

Applicable to: Northern Virginia Community College
Thomas Nelson Community College

Northern Virginia and Thomas Nelson Community Colleges failed to deactivate eVA access for employees within one day of termination as required by eVA security standards. EVA is a web-based application that is accessible from anywhere. Deactivation of the user's eVA access is necessary in order to keep the user from accessing the system and potentially making or approving purchases.

Thomas Nelson did not deactivate three eVA accounts; one of the three terminated employees still has eVA access as of the test work date, and some terminated eVA users still had access sixteen months later. Thomas Nelson did not delete user access because they have no formal process in place. Thomas Nelson should create eVA procedures that include processes for adding and deleting eVA accounts to ensure proper and timely deactivation.

Northern Virginia did not deactivate five eVA accounts and users had access for sixteen months after their termination date. Northern Virginia's Information Technology section did not delete eVA access because they did not have a record of the users having eVA access, so upon notification of individual terminations, Information Technology did not do anything to deactivate eVA access. Northern Virginia should create eVA procedures that include processes for adding and deleting eVA accounts within one working day as stated in the eVA Security Standards.

Improve New eVA User Processes and Documentation

Applicable to: Thomas Nelson Community College

Thomas Nelson Community College did not have new eVA users sign the eVA Acceptable Use Policy and did not properly approve new users for eVA access. Thomas Nelson added three new users during fiscal year 2008 and only two signed the policy. None of the three new users had documentation showing approval for access.

The eVA Security Standards require proper approval and receipt of an eVA user profile form to grant access. The eVA Security Standards also require that all personnel sign an Acceptable Use Agreement before receiving access to eVA and the eVA Security Officer keep signed agreements on file.

Thomas Nelson should develop procedures that will require the supervisor to approve access as well as require all new eVA users to sign the eVA Acceptable Use Policy. By creating and following procedures, Thomas Nelson will reduce the risk of misuse in the eVA system.

Strengthen Controls over Accounts Receivable Reporting and Management

Applicable to: Northern Virginia Community College

Northern Virginia Community College does not have documented policies and procedures describing roles, responsibilities, controls, and steps involved in reporting accounts receivables, calculating allowances, and performing write-offs. There is ineffective supervisory oversight and review at each level of preparation, and the college does not maintain adequate documentation to support the reported accounts receivable. This lack of controls resulted in numerous errors in Northern Virginia's accounts receivable at the end of fiscal year 2008 and ineffective management practices. We found the following issues.

- Exclusion of interest on past due Perkins loans
- Misclassification of some past due receivables as non-current rather than current
- Failure to send some past due Perkins loans to third party collection agencies and the debt set-off program timely
- Failure to send any parking or tuition and fee past due receivables to third party collections
- Writing off parking and tuition and fee receivables before attempting all collection efforts
- No evidence of a supervisory review of the parking receivables write-offs

Recent turnover of accounts receivable staff in the fiscal office creates additional weaknesses in the accounts receivable preparation and reporting process. Existing or new staff will have additional difficulty accounting and managing accounts receivable due to the lack of documented

policies and procedures and proper support. Weak collection practices can result in overstated revenues, loss of revenue, and increased collection costs.

Commonwealth policies require that the college send past due receivables to the Division of Debt Collection or a private collection agency once they are 60 days old. In addition, the college should not write off accounts until they have exhausted all reasonable collection efforts.

Northern Virginia should develop, document, and implement policies and procedures over recording and managing all types of accounts receivable. These policies should include direction on the proper process and timeline to follow when attempting to collect on past due accounts. The policies should also include stronger controls over the accounts receivable reporting process including accuracy verification, supervisory review with documented evidence of approval, adequate supporting documentation for each receivable type, and documentation of policy and procedures to facilitate training and for staff and management reference.

Update Estimate for Allowance for Doubtful Accounts

Applicable to: Southside Virginia Community College

Southside Virginia Community College has not updated its methodology for estimating its allowance for doubtful accounts recently to consider current factors and conditions. Although Southside Virginia based its original methodology on historical data, they have not re-evaluated the methodology in several years. As a result, the estimate is not representative of current conditions and is inadequate for financial reporting purposes.

Southside Virginia should re-evaluate its methodology to estimate allowance for doubtful accounts and ensure that it is representative of current factors. Management should consider developing this estimate as a percentage of prior year write-offs or an aging of receivables. Re-evaluating the allowance methodology for current factors will ensure that Southside Virginia does not overstate accounts receivable in the financial statements.

Properly Complete Employment Eligibility Verification Forms

Applicable to: J. Sargeant Reynolds Community College

Southside Virginia Community College

J. Sargeant Reynolds and Southside Virginia Community Colleges personnel did not properly complete Employment Eligibility Verification Forms (Form I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. This guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. Also, the employer must document the issuing authority and document number for any document examined to establish work eligibility or identity. Additionally, the employers must review only approved documentation. This is a repeat finding for J. Sargeant Reynolds Community College.

At J. Sargeant Reynolds, in our sample of nine forms completed during fiscal year 2008, we found the following errors:

- Four employees did not complete Section 1 on or before the first day of employment.
- Three forms did not list the issuing authority for one identification source.
- Three forms recorded the identification source number, title, and/or expiration date in the wrong place on the form.
- Three forms listed inaccurate employment dates.
- One form listed an unacceptable identification source.
- One form was not signed by the employer within three days of employment.

At Southside Virginia, in our sample of ten forms completed during fiscal year 2008, we found the following errors:

- Two employees did not complete Section 1 on or before the first day of employment.
- Three forms were not signed by the employer within three days of employment.
- Two forms did not provide a certification date for when employment began.
- One form did not document the issuing authority or the document number.

We found that the errors were due to a lack of proper training of the staff preparing and reviewing the forms. We recommend that management train human resources staff on the requirements of completing I-9 forms, and develop procedures to continuously review all or a sample of I-9 forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. This increased enforcement makes having a good I-9 process to complete I-9 forms in place more important than ever. Weaknesses in the I-9 process could result in fines and penalties against the institution.

Improve Internal Controls over CIPPS Access

Applicable to: Northern Virginia Community College

Northern Virginia Community College did not delete CIPPS access for three out of four terminated employees timely. Northern Virginia did not remove one employee with certify capabilities from CIPPS until eight months after termination and did not remove two other employees with CIPPS display access until a year after termination. Although the college submitted a CIPPS Security Authorization form in August 2008 to delete access, the college did not follow up to ensure the Department of Accounts (Accounts) performed the deletion. In addition, Northern Virginia

did not list two employees with certification access on the Authorized Signatories Form. Therefore, even though they have the ability to approve payroll, DOA will not recognize them as authorized.

Commonwealth payroll policies require that the CIPPS Security Officer should manage CIPPS access of agency personnel through timely completion of the CIPPS Security Authorization Request form reflecting any new actions such as additions, changes, and deletions. The Security Officer should submit the request form to Accounts; once Accounts completes the requested action, the Security Officer should review, approve, and maintain the returned form in the agency's CIPPS Security file. A lack of proper internal controls over CIPPS access exposes the agency to the potential risk of unauthorized viewing and changes to sensitive employee leave and payroll data.

Northern Virginia should develop and implement policies for the timely submission of requests to delete CIPPS access for terminated/transferred employees. The CIPPS Security Officer should also follow up with Accounts to ensure timely removal of CIPPS access after submitting the request. The procedures should also include periodic reviews of user access to ensure the levels assigned are appropriate. The college should maintain copies of approved CIPPS Security Authorization Requests for audit purposes.

Approve Wage Employee Timesheets

Applicable to: Southside Virginia Community College

Southside Virginia Community College processed wage employee timesheets without proper approval. The supervisor had not dated or signed two out of five timesheets tested. We recommend that Southside Virginia strengthen controls over the approval process for wage timesheets.

Improve Internal Controls for Fixed Asset Valuation

Applicable to: Tidewater Community College

Tidewater Community College capitalized several assets at improper values. Out of 12 assets evaluated, we found the following errors during our review of capital assets.

- One asset recorded at \$267,817 should have been \$2,678.17, which resulted from a manual error of entering the decimal in the wrong place, causing an overstatement of \$265,138.83.
- Two assets included warranties in the capitalization amounts, which are not a capitalizable expense. Tidewater purchased 10 identical assets and recorded them in the same manner, causing a total overstatement of assets of \$12,790.

Tidewater's Fixed Assets Department should put in place a more stringent level of review to ensure that personnel identify and correct miss-keyed amounts on a timely basis. Furthermore, Tidewater should offer an appropriate level of training to all staff to ensure that a sufficient level of expertise is available for personnel to appropriately capitalize and value assets.

Properly Manage Title IV Refunds

Applicable to: Dabney S. Lancaster Community College
Thomas Nelson Community College
Virginia Western Community College

During fiscal year 2008, Dabney S. Lancaster, Thomas Nelson, and Virginia Western Community Colleges did not properly manage the return process for Title IV student financial aid funds.

Dabney S. Lancaster Community College did not identify two out of 20 students tested as having withdrawn from class, and therefore did not perform refund calculations or return funds to the U.S. Department of Education for those students. This resulted in questioned costs of \$4,035. The Financial Aid Coordinator improperly calculated Title IV refunds for four out of 20 students tested because she performed the calculations manually resulting in errors rather than using the automated calculation feature of the PeopleSoft student financial system. The Financial Aid Coordinator has since recalculated and returned any difference in refunds to the U.S. Department of Education.

Thomas Nelson Community College performed the Title IV calculation accurately, but did not return funds to the U.S. Department of Education timely. Thomas Nelson returned funds for three out of thirty students up to 79 days late.

Virginia Western Community College did not properly calculate and return Title IV funds. The Student Financial Aid Staff did not use the correct number of days in the spring semester to calculate the unearned portion of Title IV funds for four students that were post withdrawals. In addition, the Business Office did not return unearned Title IV funds to the U.S. Department of Education within the 45-day requirement.

Section 34 CFR 668.22 “Treatment of title IV funds when a student withdraws” requires identification of students who have withdrawn, the calculation of earned and unearned funds, and the return of unearned funds to the U.S. Department of Education. The section also requires that colleges return unearned Title IV funds as soon as possible to the U.S. Department of Education, but no later than 45 days after the college determined the student withdrew.

Dabney S. Lancaster should begin using the automated refund calculation software within PeopleSoft rather than performing the calculations manually. The Financial Aid Coordinator should review existing policies and procedures for identifying unofficial withdrawals and ensure that they agree with the federal regulations and implement any changes necessary to identify all student withdrawals. Thomas Nelson should enhance existing internal controls in the Student Information System to ensure that they properly identify all students who withdraw to ensure the return of all Title IV funds to the U.S. Department of Education within the specified guidelines. Virginia Western should use the correct number of days of attendance and number of days in the semester when calculating the return of Title IV funds. In addition, the Business Office should return unearned funds within the federal guidelines and maintain proper support.

Report Enrollment Changes to NSLDS Timely

Applicable to: Dabney S. Lancaster Community College

New River Community College

Thomas Nelson Community College

Dabney S. Lancaster, New River, and Thomas Nelson Community Colleges did not report all student enrollment changes to the National Student Loan Data System (NSLDS) timely. Dabney S. Lancaster did not update the enrollment status for two students who had unofficially withdrawn. New River did not update the enrollment status for eleven out of twenty students tested. Thomas Nelson did not report four students that graduated in the fall 2007 semester until 55 days after their graduation date. Thomas Nelson also did not report one student that withdrew in the spring 2008 semester until 64 days after their withdrawal date. By not reporting the enrollment status for all applicable students to NSLDS, loan recipients are not identified as having dropped to less than half time and do not enter the grace period. Improper information in NSLDS also does not allow other institutions to get a proper record of a student's loan history.

Section 34 CFR 682.610 requires colleges to report changes in enrollment to less than half-time, graduated, or withdrawn within 30 days.

Management for all three colleges should review existing policies and procedures for performing enrollment updates to NSLDS to ensure that they agree with the federal requirements. Management should consider transmitting an additional file that includes updates made for unofficial withdrawals.

Improve Controls Over Student Information System Access

Applicable to: New River Community College

New River Community College granted improper access to the Student Information System and did not protect the confidentiality of passwords. All staff members in the Financial Aid Office have access to every Financial Aid screen, giving them access that is not necessary for the performance of their duties. In addition, the Financial Aid Office allows staff members to share their passwords with work-study students working in the Financial Aid Office, which eliminates accountability for transactions. Inadequate logical and physical access controls places the confidentiality, integrity, and availability of New River's student financial aid information at risk.

New River should implement and follow the Virginia Community College System Personnel Security standard: New River should grant access to enterprise systems for faculty, staff, administrators, and other users only for those privileges necessary to perform their normal work duties. Also, New River should reinforce secure password management in its security awareness training program.



Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

September 1, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

The State Board for Community Colleges

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

We have audited 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, 2008, which collectively comprise the System's basic financial statements and have issued our report thereon dated September 1, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with 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. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the System, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies entitled "Reduce Manual Processes and Controls," "Improve AIS Access Roles," "Update Policies and Procedures," "Follow eVA Security Standards," "Deactivate eVA Accounts Timely," "Improve New eVA User Processes and Documentation," "Strengthen Controls over Accounts Receivable Reporting and Management," "Update Estimate for Allowance for Doubtful Accounts," "Improve Internal Controls Over CIPPS Access," "Approve Wage Employee Timesheets," "Improve Internal Controls for Fixed Asset Valuation," and "Improve Controls Over Student Information System Access," described in the section titled "Internal Control and Compliance Findings and Recommendations" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Instances of noncompliance and other matters, entitled "Properly Complete Employment Eligibility Verification Forms," "Properly Manage Title IV Refunds," and "Report Enrollment Changes to NSDLS Timely" are described in the section titled "Internal Control and Compliance Findings and Recommendations."

The System's response to the findings identified in our audit is included in the section titled "System Response." We did not audit the System's response and, accordingly, we express no opinion on it.

Status of Prior Findings

The System has not taken adequate corrective action with respect to the previously reported finding "Properly Complete Employment Eligibility Verification Forms" at J. Sargeant Reynolds Community College. Accordingly, we included this finding in the section entitled "Internal Control and Compliance Findings and Recommendations." The System has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on September 1, 2009.

AUDITOR OF PUBLIC ACCOUNTS

DBC/alh



VIRGINIA COMMUNITY COLLEGE SYSTEM

James Monroe Building • 101 North Fourteenth Street • Richmond, Virginia 23219

September 8, 2009

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218-1295

Dear Mr. Kucharski:

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, 2008.

We confirm that we have received the findings and recommendations and have prepared the attached response and corrective action plan.

If you have any questions, please contact Dave Mair, VCCS Controller, at (804) 819-4929.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karen Petersen', written over a horizontal line.

Karen Petersen
VCCS Executive Vice Chancellor

KP/dsm

Enclosure

cc: Mr. Glenn DuBois
Ms. Donna Van Cleave
Mr. John Brilliant
Mr. Dave Mair

VIRGINIA COMMUNITY COLLEGE SYSTEM – RESPONSES TO AUDIT FINDINGS

Reduce Manual Processes and Controls

System Office Response:

During project implementation, the VCCS selected and installed AIS modules that benefitted all colleges such as Pcard, eVA interface, and the fixed asset module. The VCCS explored workflow with our implementation partner but we believed not all colleges would benefit due to their size and business processes. As the system evolves, we will continue to assess the benefits of workflow.

The VCCS has security roles to limit access to journal entry, edit, and post. Accounts payable roles exist to separate the entering of accounts payable vouchers and voucher group, payment approval, and release. Roles also exist in accounts payable to allow users to handle all accounts payable vouchering and approving functions. These roles were built to accommodate smaller colleges. However, these colleges should have documented internal controls in place with compensating controls. Security roles are established centrally and the colleges are responsible for assigning the correct roles to the applicable users.

The VCCS will explore adding the following AIS roles:

- 1) An accounts payable role that can only group and approve vouchers for payment
- 2) Non-accounts payable panel and deposit panel roles that separate data entry and post. These functions are handled within customized screens in AIS.

The VCCS does not plan to implement workflow at this time but we believe the creation of these new roles in AIS will address the concerns in the finding.

The VCCS will also take action to request colleges to review their security assignments and remove roles that provide unnecessary access.

Implementation Date for Corrective Action: January 15, 2010.

Responsible Position: VCCS Controller

Improve AIS Access Roles

System Office Response:

AIS security was designed based on input from the VCCS colleges, the System Office, and external consultants. It closely mirrors the roles required at the colleges for daily operations. Coupled with college internal controls, we feel the AIS security design is functioning well.

The VCCS has security roles to limit access to journal entry, edit, and post. Accounts payable roles exist to separate the entering of accounts payable vouchers and voucher group, payment approval, and release. Roles also exist in the accounts payable module that allows users to handle all accounts payable vouchering and approving functions. These roles were built to accommodate smaller colleges. However, these colleges should have documented internal controls in place with compensating controls. Security roles are established centrally and the colleges are responsible for assigning the correct roles to the applicable users.

The VCCS will explore the possibility of adding the following AIS roles:

- 1) An accounts payable role that can only group and approve vouchers for payment
- 2) Non-accounts payable panel and deposit panel roles that separate data entry and post. These functions are handled within customized screens in AIS.

The VCCS will also take action to request colleges to review their security assignments and remove roles that provide unnecessary access.

Implementation Date for Corrective Action: January 15, 2010.

Responsible Position: VCCS Controller

Update Policies and Procedures

Germanna Community College Response:

The College concurs with the observed situation and will update or create documented policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting reflective of new business processes brought about by implementation of PeopleSoft student information and accounting systems.

Target Completion Date: March 31, 2010

Responsible Position: Financial Manager

Thomas Nelson Community College Response:

Thomas Nelson Community College has updated procedures that support the new AIS system located on the network drive accessible to employees for reference. When informed of new or additional enhancements to the AIS system, staff updates current policies and adds additional policies when needed. Staff will review AIS processes to ensure that procedures have been updated with new enhancements within the AIS system.

Implementation Date for Corrective Action: Immediately

Responsible Party: Vice President for Finance & Administration

Northern Virginia Community College Response:

The Controller's Office as part of the ongoing ARMICS process will go through an in-depth review of their policies and procedures. Revised/new policies and procedures will be established and will incorporate your suggestions.

Implementation Date for Corrective Action: June 2010

Responsible Position: Controller

Southside Virginia Community College Response:

Policies and procedures are being revised to reflect changes in business practices due to the implementation of the new accounting system for fixed assets, revenues, and deposits.

Date of Implementation: December 2009

Position Responsible: Business Manager

Southwest Virginia Community College Response:

The Business Office will endeavor to review and update all current policy and procedure manuals, and document AIS business processes.

Implementation Date for Corrective Action: June 2010

Responsible Position: Business Manager

Follow eVA Security Standards

Northern Virginia Community College Response:

All eVA access requests are now going through Information Technology Support Services along with all required documentation to include a signed eVA Acceptable Use Acknowledgement Form and an eVA/AIS Security Access Request with all required approvals. This was required for all current and future eVA users to insure required paperwork was on file and a Helpdesk IssueTrak ticket was created for each request. With this process in place ITSS now has a record of users with eVA access and based on changes made to user's accounts such as change in position, workflow or termination, can take the appropriate steps based on the eVA Security Standards. The initial training of all new eVA users which was part of the eVA implementation prior to access being approved should be completed in the next few weeks and an audit of all eVA accounts will be performed/completed by July, 2009 and quarterly thereafter per the eVA Security Standards.

Implementation Date for Corrective Action: July 2009

Responsible Positions: ITSS Security Officer / Director IT Support Service

Thomas Nelson Community College Response:

Thomas Nelson Community College will follow the eVA Security Standards set by the Department of General Services. Quarterly and Annual reviews will be conducted and submitted as required.

Implementation Date for Corrective Action: December 2009

Responsible Party: Vice President for Information Technology

Deactivate eVA Accounts Timely

Northern Virginia Community College Response:

All eVA access requests are now going through Information Technology Support Services along with all required documentation to include a signed eVA Acceptable Use Acknowledgement Form and an eVA/AIS Security Access Request with all required approvals. This was required for all current and future eVA users to insure required paperwork was on file and a Helpdesk IssueTrak ticket was created for each request. With this process in place ITSS now has a record of users with eVA access and based on changes made to user's accounts such as change in position, workflow or termination, can take the appropriate steps based on the eVA Security Standards. NVCC has created documentation for eVA account access requests, changes and terminations which continues to be updated as the process continues to be refined.

Implementation Date for Corrective Action: July 2009

Responsible Positions: ITSS Security Officer / Director IT Support Service

Thomas Nelson Community College Response:

Thomas Nelson Community College will follow the eVA Electronic Procurement System Security Standards set by the Department of General Services. In accordance with Section 3.1.5 of the standard, all terminated users will be deactivated within 24 hours. A formal process is being put in place that will adhere to TNCC's formal policy.

Target Implementation Date for Corrective Action: December 2009

Responsible Party: Vice President for Information Technology

Improve New eVA User Processes and Documentation

Thomas Nelson Community College Response:

Thomas Nelson Community College will follow the eVA Security Standards set by the Department of General Services. In accordance with Section 3.1.1 of the eVA Security Standard, all users will be added to the system after obtaining receipt of the User Profile form with appropriate signatures.

In accordance with Section 3.1.7 of the eVA Electronic Procurement System Security Standards, all eVA users will sign an Acceptable Use Agreement that will be kept on file by the eVA Security Officer.

Target Implementation Date for Corrective Action: December 2009

Responsible Party: Vice President for Information Technology

Strengthen Controls over Accounts Receivable Reporting and Management

Northern Virginia Community College Response:

The Controller's Office and Business Offices will go through an in-depth review of their entire Accounts Receivable bookkeeping, collection, and reporting processes and procedures. Revised/new policies and procedures will be established and will incorporate your suggestions.

Implementation Date for Corrective Action: June 2010

Responsible Position: Controller

Update Estimate for Allowance for Doubtful Accounts

Southside Virginia Community College Response:

The methodology for estimating allowance for bad debts has been reevaluated by using more recent historical data which will more accurately reflect current bad debts.

Date of Implementation: July 2009

Responsible Position: College Accountant

Properly Complete Employment Eligibility Verification Forms

J. Sargeant Reynolds Community College Response:

The College agrees with the finding. As part of the resolution to the finding, the College requested and received an I9 training session. All HR staff was trained regarding the proper completion of Federal I9 forms. The training also provided training resource tools to use in training other college employees that hold responsibility for the completion of Form I9 for part-time employees.

Human Resource personnel reviewed the files of all new hires from calendar years 2007, 2008, and 2009 to date to verify that Form I9 was correctly completed and documents present in the file. This review indicated that the majority of imperfect forms were of part-time faculty.

Therefore, using the materials provided, a 90 minute training program was developed and delivered to all employees who receive documents and complete I9 forms based on the documents. For example, I9 documentation for adjunct faculty is collected at the academic department level. Training sessions were held in April and May 2009. Refresher training will be scheduled each semester prior to the large intake of new adjunct faculty. Automated training materials are also now available on the JSRCC Human Resources intranet site.

All employees with imperfect documentation have been contacted. The College expects documents for all current full-time and part-time employees to be complete and compliant by December 1, 2009. Recalcitrant employees may have their payroll check held.

The college Human Resource Office has been tasked with monitoring the I9 process and with review of each new hires's I9 documentation immediately upon receipt and will not authorize payroll to issue checks unless the documentation is correct.

Implementation Date for Corrective Action: Complete by December 1, 2009

Responsible Position: Director of Human Resources

Southside Virginia Community College Response:

All I-9 forms are now being reviewed for compliance with federal regulations. Additional training of appropriate staff on the requirements for completing I-9 forms will be conducted this fall.

Date of Implementation: October 2009

Position Responsible: Human Resource Manager

Improve Internal Controls over CIPPS Access

Northern Virginia Community College Response:

The College will insure its procedures for removing CIPPS access for terminated employees are followed.

Human Resources will supply Payroll with a request of an employee's termination. Once the Payroll Specialist has processed this termination they will then forward the name via e-mail to the Payroll Manager to review if the employee has CIPPS access. If the employee has CIPPS access, the Payroll Manager will forward a CIPPS security authorization form to DOA requesting deletion of the employee from CIPPS.

DOA will then forward a current list of employees who have access to CIPPS. The Payroll Manager will review the list to make sure the request to delete an employee's access to CIPPS has been processed by DOA.

Implementation Date for Corrective Action: July 2009

Responsible Position: Payroll Manager

Approve Wage Employee Timesheets

Southside Virginia Community College Response:

The College has implemented an electronic time sheet program, Power Time, whereby approvals are obtained electronically from appropriate supervisors prior to payment of wages. All non-exempt employees and supervisors have been trained for wage timesheets.

Date of Implementation: May 2008

Position Responsible: Payroll Manager

Improve Internal Controls for Fixed Asset Valuation

Tidewater Community College Response:

College staff developed a new Potential Fixed Asset report which extracts equipment expenditure information from the Administrative Information System; this report will be reconciled to information keyed into the Fixed Asset module. The Assistant Director of Material Management will review the report to ensure the two reports reconcile. The Director of Material Management will also scan the report for any discrepancies. Personnel responsible for capitalizing assets have been re-trained on proper recording procedures.

Implementation Date for Corrective Action: Immediately

Responsible Position: Director of Material Management

Properly Manage Title IV Refunds

Dabney S. Lancaster Community College Response:

Dabney S. Lancaster Community College agreed with the above finding. The Financial Aid Director immediately implemented new procedures for identifying unofficial withdrawals and ensuring that they agree with federal regulations. During fall 2008, the Financial Aid Director began using the automated calculation feature of the PeopleSoft student financial system. The Title IV functionality, as well as the Department of Education calculation sheets provide a cross check and will help avoid future errors in calculations.

Implementation Date for Corrective Action: December 2008

Responsible Position: Financial Aid Director

Thomas Nelson Community College Response:

During fiscal year 2008, Thomas Nelson Community College did not return Title IV (R2T4) student aid funds in a timely manner. While the calculations were accurate, the funds were not returned to the Department of Education within the 45 day timeframe. TNCC has reviewed existing procedures and have improved processes to ensure that funds are returned within the 45 day timeframe. Once the R2T4 calculations are done in PeopleSoft and sent to the Business Office, a reminder date is placed on our processing calendar, prior to the 45 day window, to make sure that the refunds have been returned to the Department of Education.

Implementation Date for Corrective Action: October 2008

Responsible Position: Vice President for Finance & Administration

Virginia Western Community College Response:

Virginia Western Community College agrees with the finding. The college has instituted review procedures in the Financial Aid office that should serve to detect staff errors in Return to Title IV calculations. Additionally, the Student Financials Unit has altered their Return to Title IV procedure and is now returning the funds for each student individually versus netting the returns. This process should serve to provide better documentation of Return to Title IV activity within the required time frames.

Implementation Date for Corrective Action: July 31, 2008

Responsible Positions: Financial Aid Director and Business Manager

Report Enrollment Changes to NSLDS Timely

Dabney S. Lancaster Community College Response:

Dabney S. Lancaster Community College agreed with the finding above and the Financial Aid Director immediately established procedures for performing enrollment updates to NSLDS and to ensure that they agree with federal requirements. The Director continues to consult frequently with NSLDS, as well as other VCCS Colleges to ensure proper timelines regarding enrollment update information submittals are established correctly and are in compliance with all regulations.

Implementation Date for Corrective Action: December 2008

Responsible Position: Financial Aid Director

New River Community College Response:

New River management has reviewed existing policies and procedures for performing enrollment updates to NSLDS. Beginning Spring semester 2009, the college has implemented an attendance roster policy that is separate from the existing grade roster reporting system and that includes updates made for unofficial withdrawals. The Admissions Office and IT staff has also added an extra graduation drop date that includes all graduates in certificate programs.

Implementation Date: January 2009

Positions Responsible: Administrative Assistant and Director of Technology Services

Thomas Nelson Community College Response:

TNCC provides enrollment updates to the National Student Clearing House no less than four times per semester. To ensure that the college remains in compliance with Section 34 CFR 682.610, staff will be instructed and re-educated of the reporting requirements. Additionally the college will review its processes and develop a certification schedule to report enrollment updates.

Implementation Date for Corrective Action: December 2008

Responsible Party: Vice President for Finance & Administration

Improve Controls Over Student Information System Access

New River Community College Response:

New River will review security roles designated to office staff and will determine staff member responsibilities and base security roles on their office duties. In addition, the college will design PeopleSoft access so that work-study students will be given inquiry access only. Also, work-study students will be

required to go through the same process as employees hired at New River. This includes MOAT training, the state-required security awareness training that includes reinforcement of secure password management. The code of ethics statement will be signed by the employee in the Human Resources Office and a signed statement of confidentiality will be maintained for each work-study student in the Financial Aid Office.

Implementation Date: January 2009

Positions Responsible: Financial Aid Assistant and Financial Aid Officer

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