



# VIRGINIA STATE UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We have audited the basic financial statements of Virginia State University (University) as of and for the year ended June 30, 2021, and issued our report thereon, dated December 1, 2022. Our report, included in the University's Annual Report, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the University's website at [www.vsu.edu](http://www.vsu.edu). Our audit of the University for the year ended June 30, 2021, 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.

The University is taking corrective action with respect to the findings included in the section titled "Status of Prior Year Findings and Recommendations." The University has substantially completed corrective action with respect to five audit findings reported in the prior year that are not repeated in this report. The table below provides the count of current year findings reported by each topical area along with how we are reporting the finding in this report (as a status update from a prior year finding or a new finding for 2021).

Topic	New	Status Update	Total
System Security	2	3	5
Purchasing	2	3	5
Federal Compliance	2	1	3
Payroll/Human Resources	-	2	2
Revenue	1	1	2
Inventory	1	-	1
<b>Total</b>	<b>8</b>	<b>10</b>	<b>18</b>

Our audit also included testing over the major federal programs of the Education Stabilization Fund and Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement and found internal control deficiencies requiring management's attention and instances of noncompliance in relation to Student Financial Assistance Programs Cluster testing.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Perform Information Technology Security Audits**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Virginia State University (University) is not in compliance with the Commonwealth's Information Technology (IT) Security Audit Standard, SEC 502 (IT Audit Standard) for IT security audits. The University signed a Memorandum of Understanding for the Virginia Information Technologies Agency's (VITA) IT security audit services to comply with the requirements on behalf of the University. Per management, they are expecting the University to be in full compliance by the end of calendar year 2022.

The IT Audit Standard, Section 1.4, requires that the University assess IT systems that contain sensitive data, or reside in a system with a sensitivity of high on any of the criteria of confidentiality, integrity, or availability, at least once every three years. We communicated the specific 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.

By not fully complying with the IT security audit requirements, existing weaknesses will remain undetected and unmitigated, increasing the risk of a system and data compromise by malicious parties or system unavailability. The University should continue working with VITA to comply with the IT Audit Standard, as planned, and subsequently manage IT security audits to ensure compliance with the IT Audit Standard.

### **Test and Update Disaster Recovery Plans**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The University does not maintain an up-to-date IT Disaster Recovery Plan (DRP) and does not perform and record annual DRP testing as required by the University's Contingency Planning Policy (Contingency Policy) and the Commonwealth's Information Security Standard, SEC 501 (Security Standard). The University most recently reviewed and revised its DRP in 2017. The University performed a DRP test in 2020 and documented the testing scenario and results of the test in a report; however, the University did not update the DRP to reflect the lessons learned from the disaster recovery test. Additionally, the University did not perform a DRP test in 2021.

The Contingency Policy requires the University periodically review, reassess, test, and update the DRP to reflect changes. Specifically, the Contingency Policy requires the University conduct an annual disaster recovery test, record the results of the test in an After-Action Report, and revise the DRP to



reflect changes identified during the test. Furthermore, the Security Standard requires the University to review and update contingency planning documentation, including the DRP, annually. The Security Standard also requires the University to conduct annual tests against the document to assess its adequacy and effectiveness, then revise the DRP to reflect changes (Security Standard Section: CP-1-COV Contingency Planning Policy and Procedures; and CP-4 Contingency Plan Testing and Exercise).

Without reviewing and revising the DRP annually, the University is unable to ensure the appropriate processes exist and work to restore a system and its application(s) to full functionality in the event of a system failure or disaster. Without performing DRP tests, the University increases the risk that in the event of a disaster and activation of its continuity of operations plan, the University may not be able to recover sensitive and mission-critical systems in a timely manner. Without incorporating lessons learned from the disaster recovery testing into their DRP, the University may miss an opportunity to improve disaster recovery procedures and documentation, which increases the risk of not prioritizing and assigning resources appropriately in the event of an outage or disaster.

Since 2017, the University prioritized its data center migration project, which resulted in outdated DRP documentation and processes. The University secured hosted solutions for six systems previously in its on-premises data center. In 2020, the University established a virtual private cloud for remote classrooms and labs. Then in January 2022, the University began migrating the remaining 18 systems in its on-premises data center to its virtual private cloud. The University paused disaster recovery planning and testing while migrating their systems from its on-premises data center to its virtual private cloud.

The University should complete the DRP update to reflect changes to the IT environment resulting from migration to the virtual private cloud. The University should then conduct annual DRP tests, record the results of the test in an After-Action Report, and update the DRP to reflect the lessons learned from the test. Performing these tasks will strengthen the continuity and disaster recovery processes and help to ensure the availability of mission-critical systems.

#### **Improve the Management and Recording of Receivables**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Our review of the University's accounts receivables found that the Controller's Office does not perform regular reviews of the allowance for doubtful accounts (allowance) methodology used to determine net accounts receivable or notes receivable, which the University reports in its financial statements. In addition, the Controller's Office was unable to provide the methodology used to determine the notes receivable allowance, which originated from a preset system calculation based on methodology that is no longer known by current staff. Currently, the University uses a methodology that it developed in 2011 to determine the accounts receivable allowance. Furthermore, management informed us that it is working on developing a new process to ensure it refers past-due accounts to

outside collection entities or the Office of the Attorney General (OAG) Division of Debt Collection as required by the Virginia Debt Collection Act.

Additionally, the Bursar's Office did not provide evidence or explanation as to why the University did not place holds on student accounts consistent with the University's policies and procedures governing write-offs and collections. We tested a sample of 30 student accounts the University wrote off in fiscal year 2021 and the University did not provide evidence demonstrating that it placed a hold on seven of these accounts (23%).

Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20505, Accounts Receivable, requires agencies to establish an allowance for doubtful accounts to reflect the portion of an agency's receivables that management estimates will be uncollectible. The CAPP Manual further sets the expectation that agencies provide realistic estimates of, and properly account for, doubtful accounts and provide adequate documentation of the methodology used (e.g., allowance method, direct write-off method, etc.) to estimate doubtful accounts. It also states that agencies should maintain an accurate record of receivables transactions, provide information relative to specific collection efforts on each past-due account and provide information on accounts submitted to Virginia's debt setoff programs as required by the Virginia Debt Collection Act at § 2.2-4800. Additionally, in accordance with the University's Collections Policy – 5001, "Students with remaining unpaid and delinquent account balances over \$5.00 at the end of the semester, will have an A/R "Hold" placed on the student's account in the student financial system to prevent future class registration and to prevent them from receiving transcripts or additional University services, until the debt has been satisfied in full."

Without proper management and recording of accounts receivable, there is a risk that the University will not collect money owed to it and revenues and assets in the University's financial statements will be misleading as to the collectability of charges. Additionally, by not placing holds on student accounts that are past due, the University increases its risk of not being able to enforce collection actions for receivables; however, the student will be able to receive services and accrue further debt despite having a delinquent balance. These exceptions are a result of management not providing evidence or explanations as to why it did not place holds on the student accounts.

According to management, issues with accounts receivable are because of a lack of staffing and being able to hire a qualified candidate. As of May 10, 2022, the University Bursar's Office continued its search to fill positions to assist with processing of collection functions. The University expects the new positions will help improve collection efforts and assist with analysis of accounts receivable transactions to ensure compliance with applicable regulations. In addition, the new position will alleviate responsibilities of the Bursar, who is ultimately responsible for development of allowance for doubtful account calculations related to student accounts. In addition, the University's Controller's Office will work with the Bursar's Office to develop a sound methodology to ensure all allowance calculations, both student and non-student, are reasonable and supported.

Per management, the University expects to fill these positions by July 31, 2022, however, this is dependent on finding a qualified candidate and having an offer accepted. Management also plans to

develop a methodology to support allowance for doubtful account calculations for the fiscal year 2022. Management should continue its effort to provide additional resources to improve the management and recording of accounts receivable. Additionally, the Bursar's Office should ensure it follows applicable policies and procedures for placing a hold on student accounts with delinquent balances or document its justification from deviating from the expected process and have the exception approved by the appropriate individual(s).

### **Perform a Physical Inventory of Capital and Controlled Assets**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The University has not completed a required biennial inventory of capital and controlled assets (inventory) since fiscal year 2018. CAPP Manual Topic 30505, Physical Inventory, provides policies and procedures for the administration of a physical inventory, and requires a physical inventory of capital assets at least once every two years. Because the University obtains some equipment from federal assistance, it must comply with Title 2 U.S. Code of Federal Regulations (CFR) § 200.313(d)(2) that requires management to take a physical inventory of property and reconcile to the property records at least once every two years. To comply with these requirements, the University's Policy 5800: Fixed Asset Management, subsection "Equipment Control and Inventory", part 7, states, "Biannually (once every two years), the Responsible Person/asset custodian or his/her designated staff, and the Administrative Services Department shall conduct a complete physical inventory of capitalized equipment to properly safeguard assets and maintain fiscal accountability."

The University initiated a physical inventory in fiscal year 2021; however, key personnel responsible for oversight of the inventory left the University prior to completion. The University should ensure it completes a physical inventory at least once every two years as required and records necessary changes in the fixed asset system in a timely manner. The University should hire or designate appropriate staff responsible for the oversight of the physical inventory process.

### **Improve Contract Administration**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

The University's Procurement Department (Procurement) does not adequately assign contract administrators to University-held contracts or document their assigned duties. Of the four contracts tested, three (75%) did not have documentation supporting the assignment of the contract administrator or of the required duties of the contract administrator. Additionally, both contracts selected for post-award management (100%) did not have sufficient evidence of required monitoring by a contract administrator, which includes approval of invoices, confirmation of receipt of goods or services, reconciliation of billings to goods or services provided, or monitoring to ensure vendor compliance with contractual requirements, as applicable.

The Agency Procurement and Surplus Property Manual (APSPM), Chapter 10.2, states, “Contract administration shall be delegated, in writing, by the using agency designating a specific individual or position, highlighting important aspects of the contract, and distinguishing between the administrator’s authority and that which must remain a function of the purchasing office. Specific delegated tasks should be outlined in the designation letter which may include acceptance of goods or services, approval of invoices, scheduling and monitoring of project progress, coordination of the provision of agency or other resources when part of the contract, and favorable or critical feedback to the contractor and buyer.”

By not officially assigning contract administrators and their duties, Procurement cannot ensure that there is clear assignment and accountability of contract administration and monitoring. Additionally, without performing required monitoring, Procurement and respective contract administrators cannot ensure that vendors properly provide the agreed upon goods and services and otherwise adhere to contract requirements. Due to competing priorities and limited staffing, Procurement and the respective contract administrators have not adhered to requirements of the University’s policies and procedures over contract administration or those of the APSPM.

Procurement should review the University’s process over contract administration and make necessary changes to ensure that the University properly performs and documents contract administration and monitoring in compliance with the University’s procedures and the APSPM. Procurement should designate, in writing, contract administrators and their duties. In addition, Procurement should coordinate with contract administrators to ensure they properly perform contract monitoring duties, including, as applicable, approval of invoices, confirmation of receipt of goods or services, reconciliation of billings to goods or services provided, monitoring to ensure vendor compliance with contractual requirements, and other contract administration activities required by the University’s policies and/or the APSPM.

**Finalize and Approve Policies and Procedures to Ensure Compliance with the Conflict of Interests Act**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The University has drafted policies and procedures related to the Statement of Economic Interests (SOEI); however, these policies and procedures do not address all related requirements in the Code of Virginia, and management has not approved the policies and procedures. Specifically, we noted the following in our review of documents and inquiry of management:

- Procedures do not ensure individuals assuming a position of trust file an SOEI form as a condition of employment or complete an ethics and conflict of interest training within two months of hire as required by the Code of Virginia. Management confirmed that it is the University procedure for all individuals identified as needing to file, regardless of their hire or transfer date, to file annually.

- Current policies do not identify which individuals and applicable positions must file an SOEI form based on their responsibilities.
- University management does not monitor and track timely completion of SOEI forms.
- University management does not track or maintain required SOEI training records.

Pursuant to § 2.2-3114A and § 2.2-3118.2 of the Code of Virginia within the State and Local Government Conflict of Interests Act (COIA), persons occupying positions of trust within state government shall file with the Council, as a condition to assuming office or employment, a disclosure statement of their personal interests and such other information as is required on the form, on or before the day such office or position of employment is assumed, and thereafter shall file such a statement annually on or before February 1. Additionally, § 2.2-3129 and § 2.2-3130 of the Code of Virginia require employees in a position of trust to complete an ethics and conflict of interest course, initially within two months of hire, and thereafter on a biennial basis. Per § 2.2-3129 of the Code of Virginia, agencies must maintain the training records for a period of not less than five years to confirm that employees have completed the course as required.

By not ensuring that individuals in positions of trust file Statement of Economic Interests forms as a condition of assuming employment, the University could be susceptible to actual or perceived conflicts of interest that would impair or appear to impair the objectivity of certain programmatic or fiscal decisions made by employees in designated positions of trust.

The University should improve and implement policies and procedures to meet the Code of Virginia requirements for the Statement of Economic Interests. These updated policies should assist in identifying positions of trust and develop processes to ensure that the appropriate individuals submit Statement of Economic Interests forms as a condition of assuming their employment and each January thereafter. In addition, the COIA Agency Coordinator is responsible for developing and maintaining a filer listing with training records for no less than the preceding five years. Using this internal record, the COIA Agency Coordinator should inform filers of their initial training requirement and their biennial training thereafter and should update the record upon the filer's completion of training.

#### **Promptly Return Unclaimed Aid to Department of Education**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University personnel did not return unclaimed student financial aid funds to the U. S. Department of Education (ED). Specifically, at the time of our testing (December 2021), we identified total noncompliance (untimely return over 240 days) of \$102,801. Although the University provided a listing of aid recipients, there is insufficient audit evidence to isolate the amount of questioned costs for aid year 2021 and aid year 2022. The University has a contract with a third-party servicer to process refunds; however, the University is currently transitioning the contract to a new third-party servicer. The primary

underlying cause for the noncompliance is that the University does not have a defined procedure in place to track and return unclaimed Title IV funds to ED.

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. By not returning funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect the University's participation in Title IV aid programs.

As the University transitions to a new third-party servicer, the University should establish a detailed procedure to track unclaimed Title IV funds. In the event the University is unable to contact the federal aid recipient and the check remains uncashed, the University should return unclaimed funds to ED within the required timeframe.

### **Improve Exit Counseling Notification for Federal Direct Loan Borrowers**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During aid year 2021, the University's Financial Aid Office personnel did not consistently provide follow-up exit counseling notifications to Federal Direct Loan borrowers that dropped to less than half-time enrollment. From a review of 25 students, we identified three borrowers (12%) where the University initially sent the required exit counseling materials to a University email address. However, the University did not send a follow-up notification to each borrower's last known address or alternate email address as required. During fall 2020 and spring 2021, the Financial Aid Office changed its process for sending exit counseling notification to students that dropped to less than half-time enrollment due to a transition to teleworking. This change prevented the Financial Aid Office from sending exit counseling notifications to an alternate email address as required. By not performing this function, students may not receive the relevant information related to repayment of his or her student loan(s).

In accordance with 34 CFR § 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials.

Management should evaluate its current procedures for sending exit counseling notifications to Federal Direct Loan borrowers that dropped to less than half-time enrollment. Management should implement corrective action to ensure that the University sends exit counseling materials to each borrower's last known address or an alternate email as required.

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

This section provides the status of findings from prior years where the University has not substantially completed corrective action as of June 30, 2021. For each status finding reported within this section, we include information on the type of finding, the severity classification for the finding, and an update on the progress management has made as well as their future plans to address the situation. The section titled “Independent Auditor’s Report” provides more detail on the severity classifications. Additional details about these findings can be found in prior year reports located on our website at: [www.apa.virginia.gov](http://www.apa.virginia.gov).

Since University management have not fully completed their corrective action plans to address these findings, the extent of our follow-up procedures was dependent on the extent of corrective actions at the time of audit. In some cases, we are only providing an update on management’s progress and did not perform testing to validate management’s progress or future plans. However, in other cases we did review evidence of the progress made to address the finding and, where warranted, included additional information to aid management in evaluating their corrective actions. We plan to perform additional procedures related to these findings as part of a future audit after management completes their corrective actions.

### **Improve Access and Account Management Controls**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

Our fiscal year 2020 audit reported that system owners are not consistently removing a terminated employee’s access to the University’s information systems on the last day of work, nor are they removing access when it is no longer needed for an employee’s job responsibilities. During our fiscal year 2021 audit, we determined that the University is not performing annual user access reviews for sensitive information systems. Specifically, we found that the University did not perform annual review and re-verification of users with access to the University’s accounting system or employee timekeeping system. Furthermore, during our fiscal year 2021 audit we determined that the University’s Residence Life and Housing Department is not appropriately granting user access to the Residential Housing System (Housing System). During fiscal year 2021, the University granted eight new users access to the Housing System, and we noted the following two exceptions (25%) related to the new users:

- The University granted one employee access to a role inconsistent with the role requested and approved in their Housing System account request form.
- The University granted one employee access to a system administrator role with no evidence of request and approval via a Housing System account request form.



The Security Standard, Section: AC-1 Access Control Policy and Procedures, requires agencies to document and implement account management practices for requesting, granting, administering, and terminating accounts. At a minimum, these practices should grant IT system users access to IT systems and data based on the principle of Security Standard Section AC-6 Least Privilege. Additionally, the Security Standard Section: AC-2 Account Management, requires agencies to document a request to establish an account on any internal IT system and to review accounts for compliance with account management requirements on an annual basis or more frequently if required to address an environmental change.

To implement the Security Standard, the University's Policies Manual, Policy 6310 – Logical Access and Account Management Policy makes the system owner responsible for reviewing on a periodic basis (at least annually) all user accounts for the system to ensure the appropriate privilege levels given the individual's role in the University, proper group membership on the system, active or inactive status, and separation of duties. Lastly, the University's Policies Manual, Policy 6150 – IT Security Plan Policy, states that the Information Security Officer will communicate all sensitive systems to the applicable system owners.

When system owners and management do not follow the Security Standard and/or the University's Policies Manual, it increases the risk that the confidentiality, integrity, and availability of the University's information and systems will be negatively impacted. Specifically, the absence of annual reviews of user access to the University's information systems increases the risk for employees to retain unnecessary access for an extended period of time. Annual system access reviews help to ensure controls at the University are working effectively (i.e., timely removal of user access upon employee termination or role change), while the lack of annual reviews allows for improper access to go unnoticed.

Per management, due to limited staffing and conflicting priorities there have been no corrective actions made to address our prior year finding related to removing terminated employees or implementing a detective control. Specifically, staff turnover in the University's Technology Services Department (Technology Services) resulted in delays in completing the annual access reviews. In addition, there is no policy or procedure in place to adequately identify all systems that require an annual access review and to ensure the applicable system owner is aware of the requirement for an annual access review. Exceptions related to the Housing system are primarily unintentional errors while granting access to the Housing System.

The University should dedicate the necessary resources to aid in staffing Technology Services and develop policies and procedures to properly identify all information system owners and make them aware of applicable requirements to perform annual user access reviews. The system owners should perform user access reviews annually to comply with the Security Standard and the University's policies. Specifically, the University should develop a tool to aid system administrators to disable user accounts according to the University's policies and delete access within 24 hours of when an employee terminates from the University or no longer needs access to the system. The University should provide information timely to those individuals responsible for making changes to system access. Technology Services should make changes to a user's account timely as defined by the University's policies. Additionally, the



University should provide system owners with necessary resources to perform an effective annual review and retain documentation of their review. Furthermore, management should require system administrators to follow the applicable Security Standard and policies and procedures when granting access.

**Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

**Prior Title:** Review and Document System and Organization Control Reports of Third-Party Service Providers

In May 2022, the University assigned its Finance Department responsibility for reviewing third-party service provider (providers) System and Organization Control (SOC) reports. The Finance Department has developed a methodology and procedure to ensure staff review all applicable SOC reports and retain documentation of their review. CAPP Manual Topic 10305 requires agencies to have adequate interaction with providers to appropriately understand the providers' internal control environment. Agencies must also maintain oversight over providers to have assurance that outsourced operations are operationally effective. Additionally, the Commonwealth's Hosted Environment Information Security Standard, SEC 525 (Hosted Environment Security Standard), Section SA-9-COV 3.1, requires agencies to perform an annual audit of the environment or review the annual audit report of the environment conducted by an independent, third-party audit firm on an annual basis. Per management, the University has developed a procedure effective as of June 30, 2022, that requires staff to review all SOC reports for fiscal year 2022 and moving forward use the review results to evaluate providers and respond, as needed, to any reported items.

As management monitor's the effectiveness of the implementation of the corrective actions, it should consider that as a Tier 1 institution, the University uses VITA's Enterprise Cloud Oversight Services (ECOS) to assist the University with gaining assurance that its eight software-as-a-service (SaaS) providers implement effective security controls. However, the University retains responsibility for monitoring the effectiveness of security controls for one of its external providers that does not qualify for ECOS. In managing its relationship with ECOS and providers, the University is not in compliance with its internal policy and other applicable standards. Specifically, the University does not:

- have a Memorandum of Understanding with VITA's ECOS that outlines the responsibilities of both parties;
- consistently obtain and review ECOS' documentation to validate that its eight SaaS providers have effective operating controls;
- document its review of the reports provided by ECOS; or

- obtain and review periodic service reports and annual independent audit assurance reports from the one provider not included in ECOS.

The University's 6910 System and Services Acquisition Policy requires that Technology Services monitor security control compliance by external providers. The Security Standard states management remains accountable for maintaining compliance with the Security Standard through documented agreements with providers and oversight of services provided (SEC 501 Section: 1.1 Intent). Additionally, the Hosted Environment Security Standard recognizes that organizations may procure IT equipment, systems, or services from providers and states that organizations must ensure that such providers meet the organization's established security requirements. Additionally, the Hosted Environment Security Standard requires that organizations define and employ processes to monitor security control compliance by external providers on an ongoing basis (SEC 525 Section: SA-9 External Information System Services).

#### **Continue to Improve Infrastructure Device Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

**Prior Title:** Improve Infrastructure Device Security

While the University has remediated some of the issues communicated to management in the prior year, the University still does not manage a critical infrastructure device that safeguards its secure internal network in accordance with the Security Standard. We communicated this internal control weakness to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the implementation of certain controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. By not meeting the minimum requirements in the Security Standard, the University is not reducing unnecessary risk that may impact the confidentiality, integrity, and availability of sensitive and mission-critical data. The University should implement the remaining security controls contained in the communication marked FOIAE in accordance with the Security Standard.

#### **Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

**Prior Title:** Improve Internal Controls over Unauthorized Purchases and Adhere to Procurement Policy

The University hired a new Executive Procurement Director that started in November 2021 to evaluate corrective actions necessary to improve internal controls to prevent unauthorized purchases and adhere to the University's procurement policy. Per management, the Executive Procurement

Director will be responsible for implementation and enforcement of procedures to prevent unauthorized purchases in the Commonwealth's purchasing system. Also, the University hired a Purchase Card Program Administrator that started in March 2022 that will be responsible for implementation of procedures and internal controls to prevent unauthorized purchases using purchase cards. University Policy 5508, Procurement of Goods and Services, states that employees may not order goods or services without the appropriate authority, or without the issuance and approval of the proper documents or purchase order by the University's Procurement Services Department (Procurement Services). Additionally, the policy states that an employee who makes an unauthorized purchase may have their purchasing responsibilities suspended or revoked, may face additional administrative disciplinary action including termination of employment, and may be held personally liable for any charges incurred. Per management, the University will complete the update of policies and procedures, provide subsequent training, and begin enforcement by June 30, 2022.

#### **Improve Administration of Purchase Cards**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

**Prior Title:** Perform Purchase Card Administrator Responsibilities; Improve Document Retention and Purchase Card Reconciliations

Our fiscal year 2020 audit reported that the Purchase Card Administrator did not perform required responsibilities, and Procurement Services did not provide all requested documentation and support for purchase card transactions to support purchase card reconciliations. For the period under audit, the University did not have an employee performing the purchase card administrator responsibilities. As a result, Procurement Services hired a new Purchase Card Program Administrator with a start date in March 2022 to perform purchase card administration responsibilities as outlined in the CAPP Manual and to implement the corrective actions necessary to improve document retention and completion of purchase card reconciliations. CAPP Manual Topic 20355 states the Procurement Director, or a designee, will act as the Purchase Card Administrator for each agency or institution. The CAPP Manual outlines several administrator responsibilities, including but not limited to, monitoring transactional data; performing and documenting an analysis of cardholder usage and limits; and removing industry restrictions as needed. In addition, CAPP Manual Topic 20355 requires cardholders to retain all documentation pertaining to charge card purchases including receipts and packing slips. It further requires cardholders to reconcile the card statements to the purchasing log and supporting documentation to verify that the statements are accurate prior to receipt of the next monthly statement. Additionally, Procurement Services' purchase card policy requires the cardholder to complete the reconciliations utilizing the online platform. Per management, the Purchase Card Program Administrator will have purchase card requirements and controls in place by June 30, 2022.

### **Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2017)

**Prior Title:** Improve Documentation of Emergency and Sole Source Procurements

The University hired a new Executive Procurement Director with a start date in November 2021 to implement corrective actions necessary to improve emergency and sole source procurement documentation. The Executive Procurement Director determined that the Contract Administration Department will manage all complex procurements, including emergency and sole source procurements. The Executive Procurement Director hired a Contract Administration Manager and a Contract Compliance Analyst, each with a start date in March 2022, to implement procedures to improve emergency and sole source procurement documentation and accountability. The Contract Administration Department has developed a plan to revise emergency and sole source requirement checklists to ensure University compliance with all applicable requirements, and to provide mandatory procurement training to University executives, department heads, and end users defining what constitutes a sole source procurement, as well as the requirements for sole source procurements.

### **Properly Reconcile Student Account Collections**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

As of May 10, 2022, the University Bursar's Office continues its search to fill positions to perform applicable student account collection reconciliations. The University's Institutional and Perkins Loan Reconciliation Policy states that the Bursar's Office should reconcile collections from loan servicer reports to the accounting system monthly. In addition, University policy states that the Bursar's Office must reconcile student accounts receivable transactions to finance accounts daily. Management expects to fill these positions by July 31, 2022; however, this is dependent on finding a qualified candidate and having an offer accepted.

### **Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2018)

**Prior Title:** Improve Reporting to National Student Loan Data System

During aid year 2021, the University's Register's Office personnel did not report accurate and/or timely enrollment data to the National Student Loan Data System (NSLDS) for students that had an enrollment level change, graduated, or withdrew. University management identified the reporting errors and delays resulted from COVID-19 pandemic operational changes and staffing turnover. From a review of 39 students, we identified the following deficiencies:

- The enrollment status was inaccurate for five students (13%) at the campus and program levels in NSLDS.
- The effective date of the applicable enrollment status change was not accurate for nine students (23%).
- The University did not report enrollment status changes timely for 17 students (44%).
- Significant data elements were not correct in NSLDS for nine students (23%).

In accordance with 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by the Department of Education, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Inaccurate data submissions to NSLDS can affect the reliance placed on the system by the U.S. Department of Education for monitoring purposes. Noncompliance may also have implications on an institution's participation in Title IV programs.

Management should perform a comprehensive review of the current enrollment reporting processes to ensure accurate and timely submissions to NSLDS. Management should implement corrective action to prevent future noncompliance and should consider enhancing its quality control review process for monitoring the accuracy of submitted enrollment batches.

#### **Ensure Updated Employment Eligibility Verification Procedures are Effective**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Partial (first issued in fiscal year 2018)

**Prior Title:** Improve Processes for Employment Eligibility

In the last month of fiscal year 2021, the University's Human Resources Department (Human Resources) updated its operating procedure for verifying employment eligibility to address items in our 2020 finding. The Immigration Reform and Control Act of 1986 requires employers to use Form I-9 to verify the identity and employment eligibility for all new employees. The U.S. Citizenship and Immigration Services' Handbook for Employers M-274 and E-Verify User Manual requires the employer within three business days of the first date of employment to complete Section 2 of Form I-9 and create a case within the E-Verify system, respectively. Management should ensure the updated employment eligibility verification procedures are effective.

### **Update Leave Policy and Procedures**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2020)

**Prior Title:** Improve Processes and Controls for Leave Activity

The University updated its Leave Without Pay policy effective June 22, 2021, to address our prior year finding; however, at the end of fiscal year 2021 we found delays between when an employee takes leave and when the University enters the leave into the Commonwealth's payroll system. We tested the leave activity for two employees and found the University did not process leave timely for one employee (50%). The employee took leave on 25 days during fiscal year 2021, and the average delays related to request, approval, and recordation are as follows:

- The employee requested leave 19 days on average after taken.
- The University approved leave approved 23 days on average after taken.
- The University entered leave into the Commonwealth's payroll system 55 days on average after taken.
- The University entered leave into the Commonwealth's payroll system 48 days on average after the day of the applicable pay period.

Per the University's leave administration procedures, employees are responsible and should be held accountable for managing their leave balances and submit scheduled time off requests in a reasonable time frame. The procedures also state that leave should be processed in the Commonwealth's payroll system by the Leave Coordinator or designee within the pay period leave has been taken. These procedures are consistent with CAPP Manual Topic 40105. In addition to the timeframe described above, CAPP Manual Topic 40105 also states the University's leave accounting system should record leave balances properly, manage leave balances, and accurately calculate the fiscal year-end leave liability.

Delays in leave processing creates a risk that employees continue to use leave that they do not have and continue to receive pay while they should be on leave without pay status. In addition, delays between when an employee requests and takes leave and when and the manager approves the request creates a risk that the employee could forget when they took leave and never record the leave at all and creates difficulty for the manager approving the leave to remember if the recorded leave is accurate. The delays in leave processing are a result of the policy not defining a specific timeframe for when leave must be entered and approved, and Human Resources not timely entering leave into the Commonwealth's payroll system after approval.

The University will transition to the new Commonwealth payroll and human resources system in fiscal year 2023 and should consider defining reasonable timeframes for submission, approval, and entry into the system as it updates policies and procedures for the new system.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

December 1, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia State University

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia State University** (University) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 1, 2022. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

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



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiencies, which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies in internal control:

- Perform Information Technology Security Audits
- Test and Update Disaster Recovery Plans
- Improve the Management and Recording of Receivables
- Perform a Physical Inventory of Capital and Controlled Assets
- Improve Contract Administration
- Finalize and Approve Policies and Procedures to Ensure Compliance with the Conflict of Interests Act
- Promptly Return Unclaimed Aid to Department of Education
- Improve Exit Counseling Notification for Federal Direct Loan Borrowers
- Improve Access and Account Management Controls
- Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers
- Continue to Improve Infrastructure Device Security
- Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy
- Improve Administration of Purchase Cards
- Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement
- Properly Reconcile Student Account Collections
- Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System
- Ensure Updated Employment Eligibility Verification Procedures are Effective
- Update Leave Policy and Procedures

## **Compliance and Other Matters**

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

- Perform Information Technology Security Audits
- Test and Update Disaster Recovery Plans
- Improve the Management and Recording of Receivables
- Perform a Physical Inventory of Capital and Controlled Assets
- Finalize and Approve Policies and Procedures to Ensure Compliance with the Conflict of Interests Act
- Promptly Return Unclaimed Aid to Department of Education
- Improve Exit Counseling Notification for Federal Direct Loan Borrowers
- Improve Access and Account Management Controls
- Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers
- Continue to Improve Infrastructure Device Security
- Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System
- Ensure Updated Employment Eligibility Verification Procedures are Effective

## **The University's Response to Findings**

We discussed this report with management at an exit conference held on December 1, 2022. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Status of Prior Findings and Recommendations**

The University has not completed corrective action with respect to the previously reported findings, which have the current titles of:

- Improve Access and Account Management Controls
- Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers

- Continue to Improve Infrastructure Device Security
- Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy
- Improve Administration of Purchase Cards
- Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement
- Properly Reconcile Student Account Collections
- Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System
- Ensure Updated Employment Eligibility Verification Procedures are Effective
- Update Leave Policy and Procedures

Accordingly, we included these findings in the section titled “Status of Prior Year Findings and Recommendations.” The University has taken adequate corrective action with respect to five audit findings reported in the prior year with the following titles that are not repeated in this report:

- Match Federal Grants with Qualifying State Expenses
- Establish a Process for Periodically Reviewing Stagnant Grants and Contributions
- Improve Internal Controls Surrounding Identification and Capitalization of Capital Assets
- Improve Change Control Management
- Improve Retirement Benefits System Reconciliation Process

### **Purpose of this Report**

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

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

GDS/vks

## APA COMMENTS ON VIRGINIA STATE UNIVERSITY'S RESPONSE

### Overall Comments:

Management of Virginia State University (University) is responsible for the design, implementation, and operation of an internal control system that reports reliable information about its operations and ensures compliance with applicable laws and regulations. Additionally, management is responsible for establishing and operating activities to monitor its internal control system and evaluate the results and take actions as needed. These management responsibilities are continuous and are not supplanted or deferred by our audit process.

Because of the size and complexity of the required corrective action for some findings and the timing of our audit, the University may not be able to complete corrective action by the next audit cycle. The section titled "Status of Prior Year Findings and Recommendations" provides the status of findings from prior years where the University did not substantially complete corrective action as of June 30, 2021. For each status finding reported within this section, we include information on the type of finding, the classification of the severity of the issue during fiscal year 2021, and an update on the progress management has made as well as their future plans to address the situation. Updates may include title changes from a prior year to reflect the remaining actions management may take to fully resolve the issue.

During the audit process, we provided the University with drafts of our findings and recommendations requesting that management confirm to us that the facts within the findings are correct to ensure that both parties agree on the criteria used and the condition observed during fieldwork as well as the status of any prior audit findings. Based on the University's formal response to our report, we are providing the following additional context for certain findings.

### Comments to Specific Responses:

The University's response to the finding titled "Properly Return Unclaimed Aid to the Department of Education" references waivers issued by the U.S. Department of Education. We are not aware of any of these waivers removing the specific requirements that the federal government required us to use as criteria during testing in support of the Commonwealth's 2021 Single Audit.

The University's responses to the findings titled "Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy" and "Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement" both reference a Governor's executive order that "relaxed compliance with the Procurement Act." The original finding addressed noncompliance occurring in fiscal years 2017 through 2020, which was prior to the executive order. We did not perform procedures in these areas for fiscal year 2021 since the University did not make its final hires to address the original noncompliance until March 2022 with plans to complete the updating of policies and procedures, provide subsequent training, and begin enforcement by the end of fiscal year 2022.

For the finding titled "Update Leave Policy and Procedures" we are not recommending that the University implement a corrective action for a retired process, only that the University, in light of delays in processing by employees and supervisors in the old system, consider defining reasonable timeframes for submission, approval, and entry into the system as it updates policies and procedures for the new system.



**VIRGINIA STATE UNIVERSITY**  
**P.O. Box 9213**  
**PETERSBURG, VIRGINIA 23806**  
**(804) 524-5995**  
**(804) 524-5347 FAX**

**Kevin W. Davenport**  
**Vice President for Administration**  
**and Finance and CFO**

**TDD (804) 524-5487**

January 17, 2023

Staci Henshaw  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw:

Thank you for the opportunity to provide a response to the fiscal year 2021 (FY21) audit. Virginia State University (University) is committed to safeguarding our fiscal resources, conducting periodic and comprehensive reviews to identify efficiencies, process improvement and streamlining workflows in furtherance of the public trust. The University welcomes opportunities to realize “greater” in policy, procedural and process development. We would like to thank the Auditor of Public Accounts for their diligence, expertise and partnership in our continuous improvement journey. As a Virginia institution possessing a unique origin story, we celebrate our contextual threads woven into the higher education tapestry as the Commonwealth benefits from our greatest resource – an engaged, educated and diverse workforce.

As part of its comprehensive corrective action protocol, the University reviewed several years’ worth of prior audit findings and noticed that for some audit findings designated as repeats, there were variations in title and content. While there were similarities in subject matter and individual business units, there was material incongruence between the evidentiary support, findings and recommendations. It is imperative that management points accurately pinpoint appropriate risk and provide a level of insight into potential remedial action. Clear guidance on mitigation strategies and corrective action assists the University in properly marshalling resources and tracking our progress. Effectively closing and resolving issues benchmarks the University’s improvement trajectory and inspires public confidence in our fiscal health and business agility. It reveals our level of commitment to our institutional integrity and guides the Board of Visitors’ risk appetite and level of exposure.

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Additionally, the temporal overlap of the prior fiscal year 2020 (FY20) audit report's issuance and the entrance conference for the FY21 audit made corrective action wholly unachievable. In fact, corrective actions were not reviewed or tested as they were implemented in a different fiscal year than the period under audit. This results in the University appearing to have repeat findings when in fact, we effected proper corrective actions. As such, many of the University's responses reflect a sheer inability to realize corrective action, not a lack of commitment to it.

Lastly, it is important to note that many of the operational and financial weaknesses cited were identified during the height of the COVID-19 pandemic, when many regulatory, policy and legal requirements were relaxed or waived entirely by state or federal executive action to prioritize the health, safety and welfare of various constituencies. To the extent applicable, the University cites these instances in their response as mitigating context.

#### **Perform Information Technology Security Audits**

The University concurs with this finding. We concur that information technology (IT) security audits of the University's on-premise systems were not completed in accordance with the Commonwealth's Security Standard, SEC-501, despite an agreement with our service provider, the Virginia Information Technology Agency (VITA). The University implemented a new Memorandum of Understanding (MOU) with VITA for IT security audits, which are currently in progress and should be complete by November 2022. We rely on our state partners to work with us and will more closely monitor adherence to the IT Security Audit MOU.

#### **Test and Update Disaster Recovery Plans**

The University concurs with this finding. As described in the audit finding, the University did complete a disaster recovery test with a documented report in 2020. The University was then forced to operate remotely due to the COVID-19 pandemic, and concentrated on distance learning technology and other efforts to keep the University operating in a suddenly remote environment. We will update our documentation to reflect the new environment and conduct a disaster recovery test during fiscal year 2023 (FY23).

#### **Improve the Management and Recording of Receivables**

The University partially concurs, with clarification. The University agrees that it will examine the percentages of uncollectible debt, set a baseline, and perform an annual assessment. We anticipate establishing an uncollectible allocation against receivables before the end of FY23. However, it is notable that the University performed a more recent analysis in fiscal year 2017 (FY17), and the results were not in line with reasonable expectations. At that time, the University made the decision to continue use of the prior methodology which generated a more conservative calculation of the allowance. In regards to the notes receivable allowance, the balance has consistently remained at a nominal amount and any associated allowance would be wholly immaterial to the financial statements.



Regarding the proper placement of holds on student accounts, the University will re-engineer processes to identify student accounts with delinquent balances and ensure that an accounts receivable hold is placed on their accounts.

As we perfect our institutional processes, we will determine what reasonable threshold balance triggers an accounts receivable hold, as our current policy of \$5.00 is stringent and detrimental to our students. After we set a reasonable threshold, we will amend our policy accordingly. We anticipate completion by the end of FY23.

#### **Perform a Physical Inventory of Capital and Controlled Assets**

The University concurs with this finding. The University contracted with an outside vendor, Maximus, to complete an inventory of both capital and controllable assets, starting in late fiscal year 2022 (FY22). The inventory counts were completed in August 2022 and the final report was issued to the University on October 21, 2022. The University is actively working on reconciling any remaining variances between the inventory results and the reporting system. In addition, the University is shifting from the Commonwealth's Fixed Asset and Accounting System (FAACS) to the Banner Fixed Asset module, which will significantly improve our tracking of assets and result in a much more streamlined bi-annual inventory process.

#### **Improve Contract Administration**

The University concurs. The University established a Contract Administration Office to monitor contracts post-award. The Office reviews its active contracts to determine the capacity for contract administration by providing required resources and oversees adherence and access to applicable statutory administrative remedies for non or underperformance. Once fully staffed, the University may consider the formalized assignment of specific contracts to designated contract administrators for performance management.

#### **Finalize and Approve Policies and Procedures to Ensure Compliance with the Conflict of Interest Act (COIA)**

The University concurs. The University will reexamine its policies and provide deadlines for newly hired individuals meriting filing as per the statute. The University will also monitor filers to ensure filing and training compliance, as well as applicable document retention no later than June 30, 2023.

#### **Promptly Return Unclaimed Aid to the Department of Education**

The University concurs with clarification. This finding was a part of the Statewide Single Audit. The University encountered many operational and administrative challenges during the height of the pandemic (prior to vaccinations becoming available). Virginia State University temporarily adapted its policies and procedures to account for the decentralization of its operations due to remote functionality and increased absenteeism due to the novel



coronavirus and its subsequent variants. The U.S. Department of Education (ED) issued guidance regarding Title IV compliance during the pandemic in the CARES Act that granted temporary waivers and extended deadlines for institutions receiving federal funds, recognizing the crippling administrative impact of COVID-19 on operational effectiveness and prioritizing student safety and welfare. Notwithstanding, the University communicated in February 2022 that it will implement the following:

- a) We will update our policies and procedures for returning unclaimed Title IV funds and implement corrective action to prevent further noncompliance.
- b) The Bursar's Office, Cashier's Office, Financial Aid Office and Cash Management Office will work collectively to ensure uncashed check funds are returned to ED within the required timeframe.
- c) In addition, we have a new Third-Party Servicer (Nelnet Campus Commerce). ED requires Nelnet Campus Commerce to perform a review of applicable institutional policies and procedures related to Title IV Credit Balance Recipients.

#### **Improve Exit Counseling Notification for Federal Direct Loan Borrowers**

The University concurs with clarification. This was a part of the Statewide Single Audit. The University responded that the required notifications were sent to students' VSU and personal email accounts in accordance with 34 CFR § 685.309; however, the University was unable to retrieve the data. Additionally, in the fall of 2021, the University automated their processes using Ellucian Banner to send email notifications to each student's university and personal email accounts.

#### **Improve Access and Account Management Controls - Repeat FY20**

The University concurs with most, but not all aspects of this recommendation. Specifically, we do not completely concur that we have not disabled access. We concur that we have not consistently performed annual access reviews for all sensitive systems, and we concur that access provisioning for the residential housing system could be improved.

The University does not completely concur with the comment pertaining to the disabling of access. The University is disabling accounts and asserts that their method achieves total user access foreclosure.

The University's Technology Services Division has been working with Human Resources to improve the onboarding and offboarding processes. We developed both an electronic account access request process and an electronic clearance process for separating employees. The University is no longer using the form noted in the management point, i.e., the personnel clearance form. The previous process was paper driven and manual while the new process is completely electronic, with automatic notifications going to all areas with action items on the separation checklist, including the removal of access from the University's systems.

Additionally, the University is currently working with Identity Access Management vendors to determine the best solution for a single sign-on solution and to procure that software, which will significantly assist with account management. We anticipate purchasing the software by the end of calendar year 2022 with implementation expected to occur throughout calendar year 2023.

Pertaining to access reviews, the University is working to identify all system owners, add standard language to the employee work profiles for those system owners, and ensure that the system owners have the necessary knowledge and tools to timely complete annual access reviews. To assist the system owners in being successful in their roles, the University procured a reporting tool, Logi Analytics, that will allow the system owners to download the user access reports for review. Although this comment, at our request, has been added to a prior year finding due its commonality, the University would like to point out that we received this finding in September 2022, and as such, have not had the opportunity to initiate corrective action.

The University concurs with the finding regarding account provisioning for the Housing System. The University is implementing a process change to automate and streamline account provisioning for the Residential Housing System. Access requests for the Housing System will be added to the University's new electronic technology access request portal; this will help to ensure that access is being granted and removed in a timely manner. This change also provides a streamlined and efficient method to track system access. The University will update any related policies and procedures to reflect the new process once it has been implemented. As was stated above, this portion of the finding was also new for FY21 and was received by the University in October 2022, allowing no time to mitigate the finding.

#### **Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers**

The University concurs with this finding. We recognize our responsibilities to ensure the security and integrity of our information assets, utilizing such tools as System and Organization Control (SOC) reports for service provider oversight. The University implemented a process to collect and review SOC reports for its service providers and has centralized SOC report compilation duties within the Controller's Office. Additionally, the University contacted the VITA Enterprise Cloud Oversight Service (ECOS) to obtain their documentation for our service providers.

The University would like to add that the one service provider which does not qualify for ECOS oversight, (and for which the University retains oversight responsibility), had not yet completed the implementation phase during the time that the APA performed their review work. Now that the implementation is complete, we will begin our monitoring of the provider. Additionally, regarding the University's eight providers which do qualify for VITA's ECOS oversight, we would like to recognize that we are relying on our state partners to work with us to properly exercise and complete their responsibilities and we encourage interagency cooperation to ensure that the Commonwealth operates securely while protecting its data.

### **Continue to Improve Infrastructure Device Security - Repeat FY20**

The University concurs and completed corrective action for this finding. As the University prioritizes the security of its data, we recently hired a new engineer to further assist us with this effort. Additionally, we have a monthly meeting to review and document the releases from the supplier to ensure all necessary patches are completed timely.

### **Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy - Repeat FY20**

On March 12, 2020, former Governor Northam declared by statewide communication a state of emergency related to the COVID-19 outbreak.<sup>1</sup> In that communication, the former governor explicitly relaxed compliance with the Procurement Act to facilitate purchasing by state agencies and institutions to avoid critical shortages and supply failures. The former governor did not lift the waiver of these statutory requirements until June 30, 2021. The initial finding did not mention this waiver, nor was it alluded to in subsequent comments. This is a significant factor in the determination of the presence of applicable documentation. As such, Virginia State University does not concur with this finding.

Notwithstanding, the Office of Procurement Services (OPS) will continue to monitor purchases made by University employees to ensure compliance with the Virginia Public Procurement Act. The Office will work diligently with employees to facilitate compliance during the transactional process and provide continuing educational resources to make employees aware of the procurement process.

### **Improve Administration of Purchase Cards - Repeat FY20**

The University concurs. The University hired a Purchase Card Administrator effective March 25, 2022. The University also promulgated policies relating to the position's responsibilities to include purchase card authorizations, card issuances, sufficient documentation retention, purchase verifications and timely reconciliation. The Procurement Director will review a representative sample of transactions periodically to ensure adherence to applicable policies and procedures and the Purchase Card Administrator has started a rigorous program of monitoring and tracking card reconciliations, which are stored electronically in Bank of America Works. Additionally, the Administrator developed a schedule reminder program to consistently inform cardholders of their impending obligations for submissions, documentation, approvals and processing.

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<sup>1</sup> To review former Governor Northam's executive orders, please see the Library of Virginia website at <https://wayback.archiveit.org/9773/20200324001902/https://www.governor.virginia.gov/executive-actions/>.

### **Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement - Repeat FY20**

On March 12, 2020, former Governor Northam declared by statewide communication a state of emergency related to the COVID-19 outbreak.<sup>2</sup> In that communication, the former governor explicitly relaxed compliance with the Procurement Act to facilitate purchasing by state agencies and institutions to avoid critical shortages and supply failures. The former governor did not lift the waiver of these statutory requirements until June 30, 2021. The initial finding did not mention this waiver, nor was it alluded to in subsequent comments. This is a significant factor in the determination of the presence of applicable documentation. As such, Virginia State University does not concur with this finding.

Notwithstanding the non-concurrence, The Office of Procurement Services (OPS) is continuously reviewing sole source procurements to make sure that they maintain appropriate documentation and that competitive bids are obtained where needed. In addition, OPS intends to display a list of existing contracts to inform employees of current vendors relating to specific services and goods by the end of this fiscal year.

### **Properly Reconcile Student Account Collections - Repeat FY20**

The University concurs with this finding. The University plans to create and implement an efficient reconciliation process to ensure that student accounts receivable transactions trace to finance accounts daily. As of November 2022, we found a suitable candidate for the accounting position that will be responsible for the daily reconciliation of accounts receivable transactions; an offer was made and accepted by the selected candidate. We anticipate onboarding the candidate by the conclusion of FY23.

### **Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System - Repeat FY18**

The University concurs. This item was part of the Statewide Single Audit.

The University implemented the following:

- a) Registrar's Office/Financial Aid Office will generate a report to capture students who fail to return from a given semester or term to ensure that the enrollment status for these students is reported accurately. In addition, we have scheduled revitalization training with Ellucian Banner to provide knowledge and best practices on reporting to NSC.
- b) Registrar's Office will review all batches uploaded to NSC/NSLDS to ensure that batches are accepted without errors, and/or correct errors that are reported. In addition, we will request access to NSLDS for Registrar's staff.

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<sup>2</sup> To review former Governor Northam's executive orders, please see the Library of Virginia website at <https://wayback.archiveit.org/9773/20200324001902/https://www.governor.virginia.gov/executive-actions/>.

- c) Each semester, quality control reviews will be conducted by Registrar and Financial Aid staff to ensure timely and accurate reporting in NSC and NSLDS.

#### **Ensure Updated Employment Eligibility Verification Procedures are Effective - Repeat FY20**

The University reviewed prior findings dating back to 2018 and can find no prior finding entitled, “Ensure Updated Employment Eligibility Verification Procedures are Effective.” In essence, subsequent repeats on this subject may have involved adjacent subject matter areas, but were holistically variant in character, cause and comment. Fiscal year 2019’s (FY19) audit spoke specifically to a failure of document retention for specific cases for the requisite prescribed period of three years. FY20’s audit referenced the lack of established cases for individual employees based on a seemingly insignificant statistical sample. This particular audit year does not mention cases, but suggests failure to complete Section 2 of individual I-9 forms. While all of these items are subsumed in the I-9 process, they are different issues and should be properly categorized as such so that the University can properly plan and invest its corrective energies and resources effectively. For these reasons, the University does not concur with the finding.

#### **Update Leave Policy and Procedures - Repeat FY20**

This recommendation reflects the identification of a need for enhanced procedures and policy relating to an obsolete process that relied on the manual request, completion, submission and approval of leave forms. The University does not concur with this recommendation as there is no benefit to implementing corrective action for a retired process. The Commonwealth of Virginia’s Department of Human Resources Management implemented Cardinal HCM for the University and its cohort on October 3, 2022. Under Cardinal HCM processes, the designated supervisor for a particular employee must review and approve leave. The Office of Human Resources at the University will review the functionality of Cardinal HCM and determine whether a policy is required to ensure timely recording of leave.

The University maintains its fervent commitment to policy, process and procedural development while mitigating risk and maximizing business outcomes. It also endeavors to preserve resources while becoming more efficient and effective in its financial and business operations. It has taken a disciplined, measured approach to address issues based on risk prioritization and appreciates all forms of assistance in risk management strategy from our external partners. Given our limited resources and the fiscal discipline required to effect maximum value realized by our students, faculty and staff, we acknowledge the assistance from our partners like the APA as we perfect our business practices.

Thank you again for your time, attention and cooperation.

Sincerely,

  
A handwritten signature in dark ink, appearing to read 'K. Davenport', followed by a horizontal line and a stylized flourish.

Kevin W. Davenport  
Senior Vice President for Administration and Finance  
and CFO

cc: Dr. Makola M. Abdullah, President  
Aimee Rogstad Guidera, Secretary of Education  
Lewis R. McCabe, State Comptroller  
Michael Maul, Director of Planning and Budget



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As of June 30, 2021

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