



DANVILLE COMMUNITY COLLEGE STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER

FOR THE YEAR ENDED
JUNE 30, 2024

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We audited the Student Financial Assistance Cluster of federal programs administered by Danville Community College (Danville) for the year ended June 30, 2024. We found:

- proper recording and reporting of all transactions, in all significant respects, in Danville's accounting and financial reporting system and U.S. Department of Education's federal student financial assistance systems and the federal attachment submitted to the Department of Accounts (Accounts);
- six matters involving internal control and its operation necessary to bring to management's attention that also represent instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to the prior audit findings identified as complete in the [Findings Summary](#) in the Appendix.

In the section titled "Audit Findings and Recommendations," we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

- TABLE OF CONTENTS -

| | <u>Pages</u> |
|------------------------------------|--------------|
| AUDIT SUMMARY | |
| AUDIT FINDINGS AND RECOMMENDATIONS | 1-5 |
| AUDIT SCOPE OVERVIEW | 5 |
| INDEPENDENT AUDITOR'S REPORT | 6-8 |
| APPENDIX – FINDINGS SUMMARY | 9 |
| COLLEGE RESPONSE | 10-11 |

AUDIT FINDINGS AND RECOMMENDATIONS

Ensure Student System Roles are Assigned Properly

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Danville Community College (Danville) staff did not properly grant student information system roles and privileges. Specifically, we found two of 12 (17%) employees have access to financial aid data; however, their access roles do not align with their job responsibilities. The underlying cause of improper access is staff did not update system roles and privileges when employees changed positions. Inadequate access assignment creates a risk that assigned roles will violate the concept of least privilege and segregation of duties.

In accordance with Title 2 U.S. Code of Federal Regulations (CFR) § 200.303(e), the recipient entity must take reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive, or the recipient entity considers sensitive, consistent with applicable, federal, state, and local laws regarding privacy and responsibility over confidentiality. Further, the Virginia Community College System's (System) adopted security standard, the International Organization for Standardization and International Electrotechnical Commission Standard (Security Standard), states that the college must allocate privileges to users on a need-to-use basis and on an event-by-event basis, i.e., the minimum requirement for their functional role only when needed and the college should use the principle of least privilege in the assignment of security roles and responsibilities. In addition, the System's Role Reference Guide identifies access roles that are critical due to potential conflicts considering the concept of segregation of duties. For segregation of duties, the Security Standard states that "segregation of duties will be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse."

Danville information security staff and management should perform a thorough evaluation of employee access and grant student information system roles based upon the concept of least privilege and considering job responsibilities when employees change positions.

Properly Complete Verification Prior to Disbursing Federal Financial Aid

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Danville's Financial Aid Office staff did not properly complete student verification prior to disbursing Title IV aid. In two of nine (22%) students sampled and tested for verification, Danville staff did not verify Free Application for Federal Student Aid (FAFSA) data against the student information system before awarding a total of \$8,962 in Title IV funds. Danville's management indicated staff did not follow written verification policies and procedures which resulted in errors.

In accordance with 34 CFR § 668.54 and 34 CFR § 668.56, an institution must require an applicant, whose FAFSA information has been selected for verification, to verify the information selected by

Education. Federal Register 87 F.R. 40826 outlines the 2023 - 2024 Award Year FAFSA information Education requires to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. By not performing or improperly performing the necessary verification, an institution may provide financial aid disbursements to students based upon inaccurate information and may be subject to potential adverse actions affecting its participation in Title IV programs.

Danville's management should provide additional training to financial aid staff and monitor compliance with written policies and procedures. Management should consider implementing a quality control review to ensure that staff obtain, review, and retain acceptable documentation for audit purposes.

Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Prior Title: Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System

Danville's Center for Organizational Excellence & Data Analytics Office (Center) staff did not report accurate and timely enrollment data to the National Student Loan Data System (NSLDS) for students that graduated, withdrew, or changed enrollment levels. Danville indicated Center staff turnover led to the exceptions. From our review of 40 students sampled, we noted the following instances of noncompliance:

- The Center reported an inaccurate enrollment status for two students (5%);
- The Center reported an inaccurate effective date for three students (8%);
- The Center did not report enrollment status changes timely for three students (8%); and
- The Center reported inaccurate information for at least one campus or program-level field deemed critical for four students (10%).

In accordance with 34 CFR § 685.309, an institution shall submit, in accordance with deadline dates established by the Secretary of Education (Secretary), other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure the reports are correct. As further outlined in the U.S. Department of Education's (Education) NSLDS Enrollment Guide, institutions are required to certify enrollment every 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Danville's untimely and inaccurate submission of data to NSLDS can affect Education's reliance on the system for monitoring purposes. Noncompliance may also impact an institution's participation in Title IV programs.

Danville management should evaluate its current enrollment reporting procedures and implement corrective action to ensure that the college is reporting accurate and timely student enrollment status changes to NSLDS. The Center should implement cross-training to ensure continuity

of operations and compliance in the event of staff turnover. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Reconcile Federal Aid Programs Timely

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Danville's Business Office staff did not perform federal reconciliations timely. Danville management indicated a combination of factors including staff shortages and turnover as the cause of the errors. Specifically, we noted the following instances of noncompliance:

- For two (100%) direct loan reconciliations sampled, the Business Office did not identify and resolve reconciling items totaling \$248,719.
- For two (100%) federal bank reconciliations sampled, Business Office staff completed the federal bank reconciliations up to two months late and took up to four months to resolve reconciling items.

In accordance with 34 CFR 685.300(b)(5), institutions shall establish, maintain, and reconcile program and fiscal records at least monthly. By not reconciling federal student aid programs monthly as required, Danville increases its risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems may lead to potential adverse actions and impact participation by the institution in Title IV programs.

The Business Office should implement cross-training to ensure continuity of operations and compliance in the event of staff turnover. Management should ensure staff complete reconciliations properly and timely, including addressing reconciling differences.

Promptly Return Unclaimed Aid to Department of Education

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Danville's Business Office staff did not return unclaimed student financial aid funds to Education within the required timeframe. We reviewed all 35 students with unclaimed aid and found Danville staff did not return a total of \$7,132. Insufficient management oversight coupled with a lack of knowledge and understanding of the federal requirements related to unclaimed student financial aid were the cause of the noncompliance.

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

Danville management should ensure staff responsible for tracking unclaimed student financial aid receive comprehensive and ongoing training on federal requirements. If Business Office staff are unable to contact the federal aid recipient, and the check remains uncashed or the banking institution rejects the EFT, the Business Office staff should return the unclaimed funds to Education within the required timeframe.

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

Type: Internal Control and Compliance

First Reported: Fiscal Year 2020

Prior Title: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act

Danville does not comply with certain elements of the Gramm-Leach-Bliley Act (GLBA) related to its information security program. Public Law 106-102, known as the GLBA, classifies institutions of higher education as financial institutions due to their involvement in financial assistance programs. Related regulations in 16 CFR §§ 314.3 and 314.4 require organizations to develop, implement, and maintain an information security program to safeguard customer information. Specifically, Danville does not comply with the following GLBA requirements:

- Danville does not have a documented and approved policy and procedure to conduct a periodic inventory of data. The GLBA requires organizations to include as part of its written information security program a requirement for identifying and managing data, personnel, devices, systems, and facilities that support an organization's business mission, in accordance with their relative importance and the organization's risk strategy. Without a documented and approved policy and procedure, Danville increases the risk that it may misplace or improperly account for data within its systems, which could result in the lack of appropriate security controls and the compromise of the college's confidential data. Danville is implementing a new security platform to assist with the data inventory, causing a delay in developing the required policies and procedures (16 CFR § 314.4(c)(2)).
- Danville does not have a documented, approved, and implemented policy and procedure to conduct and document its review, revisions, and approvals for the college's information security program. The GLBA requires organizations to evaluate and adjust their information security programs based on testing and monitoring results; material changes to business operations or processes; risk assessments; or any other circumstances that could materially impact the program. The absence of a formal process to consistently perform and document the review, modification, and approval of its policies and procedures could lead to inconsistent reviews, unauthorized modifications, or the policies and procedures missing key elements to support business processes. The lack of management oversight led to Danville not having a documented, approved, and implemented policy and procedure (16 CFR § 314.4(g)).

Danville should document and approve a policy and procedure for conducting a periodic inventory of data based on the implementation of its new security platform. Additionally, Danville should document, approve, and implement a policy and procedure to conduct and document its reviews,

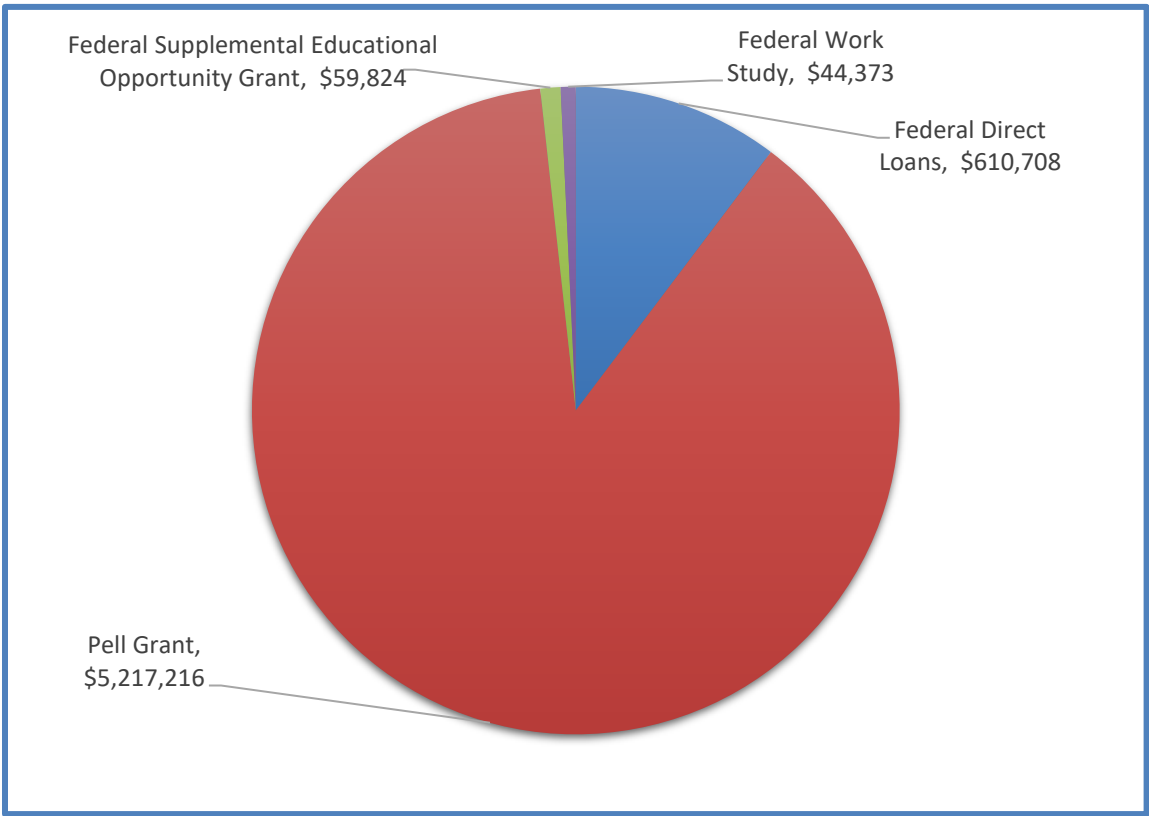
modifications, and approvals of its information security program. Ensuring compliance with the GLBA requirements will support Danville in evaluating its information security practices and help maintain the confidentiality, integrity, and availability of customer information within its environment.

AUDIT SCOPE OVERVIEW

Danville is part of the Virginia Community College System and serves the city of Danville and the counties of Halifax and Pittsylvania. Danville provides federal financial assistance through Direct Loans, Pell Grants, Supplemental Educational Opportunity Grants, and Work-Study programs. Chart 1 below shows the amounts comprising the Student Financial Assistance Cluster of federal programs at Danville.

Student Financial Assistance Cluster Federal Program Awards
Fiscal Year 2024

Chart 1



For our audit covering the fiscal year ended June 30, 2024, we performed procedures over the Student Financial Assistance Cluster of federal programs in accordance with U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs. In addition, we reviewed the accuracy of the Schedule of Expenditures of Federal Awards federal attachment information submitted to Accounts.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 24, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

David Doré
Chancellor, Virginia Community College System

Cornelius H. Johnson
President, Danville Community College

We have audited **Danville Community College's** (Danville) compliance over the Student Financial Assistance Cluster of federal programs for the year ended June 30, 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to audit the Student Financial Assistance Cluster of federal programs. In support of this objective, we evaluated the accuracy of recorded transactions in Danville's accounting and financial reporting system, U.S. Department of Education's federal student financial assistance systems, and the federal attachment submitted to the Department of Accounts (Accounts); reviewed the adequacy of Danville's internal controls; tested compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed the adequacy of corrective action with respect to audit findings from prior year reports. See the [Findings Summary](#) included in the Appendix for a listing of prior audit findings and the status of follow-up on management's corrective action.

Audit Scope and Methodology

Danville's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following applicable Student Financial Assistance Cluster of federal programs compliance requirements:

- Cash management
- Enrollment reporting
- Title IV disbursements
- Financial reporting
- Gramm-Leach-Bliley Act
- Institutional eligibility
- Return of Title IV funds
- Student eligibility
- System access
- Verification

We performed audit tests to determine whether Danville's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of Danville's operations. We performed analytical procedures and tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that Danville has properly stated, in all material respects, the amounts recorded and reported in its financial system and the U.S. Department of Education's federal student financial assistance systems for the Student Financial Assistance Cluster of federal programs.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management’s attention and corrective action. These matters are described in the section titled “Audit Findings and Recommendations.”

Danville has taken adequate corrective action with respect to audit findings identified as complete in the [Findings Summary](#) included in the Appendix.

Exit Conference and Report Distribution

We discussed this report with management on April 30, 2025. Management’s response to the findings identified in our audit is included in the section titled “College Response.” We did not audit management’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, Danville Community College management, the Virginia Community College System Chancellor, the State Board for Community Colleges, and the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DLR/clj

FINDINGS SUMMARY

| Finding Title | Status of Corrective Action* | Fiscal Year First Reported |
|---|------------------------------|----------------------------|
| Improve Direct Loan Quality Assurance Program | Complete | 2020 |
| Improve Notification Process for Federal Direct Loan Awards to Students | Complete | 2020 |
| Improve Reporting to the Common Origination and Disbursement System | Complete | 2020 |
| Promptly Disburse Credit Balances to Students | Complete | 2020 |
| Properly Manage Return of Title IV Funds | Complete | 2020 |
| Ensure Student System Roles are Assigned Properly | Ongoing | 2020 |
| Properly Complete Verification Prior to Disbursing Federal Financial Aid | Ongoing | 2020 |
| Improve Reporting to National Student Loan Data System** | Ongoing | 2020 |
| Reconcile Federal Aid Programs Timely | Ongoing | 2020 |
| Promptly Return Unclaimed Aid to Department of Education | Ongoing | 2020 |
| Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act*** | Ongoing | 2020 |

* A status of **Complete** indicates management has taken adequate corrective action. A status of **Ongoing** indicates existing findings that require management's corrective action as of fiscal year end.

** Prior finding title was Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System.

*** Prior finding title was Perform Risk Assessment as Required by the Gramm-Leach-Bliley-Act.



Serving Danville • Halifax County • Pittsylvania County

Danville Community College

September 15, 2025

1008 South Main Street • Danville, Virginia 24541-4004

434.797.2222 • TTY: 434.797.8542

Fax: 434.797.8541 • www.dcc.vccs.edu

Stacie Henshaw
The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw,

In response to the Auditor of Public Accounts (APA) audit of Student Financial Assistance Programs for the year ending June 30, 2024, Danville Community College accepts and concurs with all findings. Outlined below are the APA's findings along with management's responses, including the corrective actions implemented to address and resolve each finding:

MP#2: Properly Complete Federal Verification Prior to Disbursing Title IV Aid

W/P REF: Step 16 – Verification

The Financial Aid Office has incorporated Federal Student Aid resources, such as the Tax Return-Verification matrix, into our Verification review. Additionally, the Financial Aid Director has implemented a quality assurance process that includes reviewing a sample of students selected for verification and the documents received to ensure compliance.

MP#3: Improve Reporting to the National Student Loan Data System

W/P REF: Step 19 - Enrollment Reporting

The Center for Organizational Excellence & Data Analytics (COEDA) Office works closely with the National Student Clearinghouse representative to submit files promptly, based on the enrollment reporting calendar. The COEDA Office collaborates with college administration to correct errors or discrepancies within the file and to evaluate college processes that may have contributed to the mistakes.

MP#4: Reconcile Federal Account

W/P REF: Step 12 – Cash Management

The Business Office will complete federal bank reconciliations on a monthly basis. Items that require reconciling will be resolved within a maximum of two months. The Business Office will maintain accurate documentation of the reconciliation, along with documentation that supports the correction of any discrepancies.

MP #5: Promptly Return Unclaimed Aid to the Department of Education

W/P REF: Step 17 – Unclaimed Title IV Funds

The Business Office Manager has restructured staff responsibilities to align duties with federal requirements better. Continuous training is being held to ensure staff understand the new responsibilities assigned to them. Monthly reviews are completed to ensure that unclaimed funds are returned within the stated timeframe to maintain compliance.

MP#1: Ensure Student Information System Roles are Assigned Properly

W/P REF: Step 23 – Employee Access

The Information Technology Specialist collaborates closely with the Financial Aid Director when assigning system roles to faculty, staff, or administrators outside of the Financial Aid Office. Quarterly reviews are conducted to ensure that System Access Roles are not outdated due to changes in responsibilities, terminations, or new hires.

MP#04: Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

W/P REF: Step 10.1 – DCC GLBA Cybersecurity Enforcement

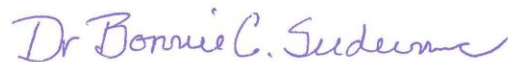
The Information Technology Department will maintain an updated Standard Operating Procedure that will document annual reviews, modifications, and approvals of its policies and procedures. The Information Technology Department, working with the Virginia Community College System Office, will also be implementing a new security platform that will assist with data inventory.

Danville Community College is committed to continually improving institutional processes that uphold compliance and accountability within the Federal Financial Aid program.

Sincerely,



Dr. Carl B. Smalls
VP of Finance and Administration



Dr. Bonnie Suderman
Interim VP of Academic Affairs and
Student Services