



VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts
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AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Community College System (System) as of and for the year ended June 30, 2015, and issued our report thereon, dated October 13, 2016. Our report, included in the System's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the System's website at www.vccs.edu. Our audit of the System found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal programs of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing.

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS	1-11
FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS	12-18
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	19-21
VIRGINIA COMMUNITY COLLEGE SYSTEM – RESPONSES TO AUDIT FINDINGS	22-39
VIRGINIA COMMUNITY COLLEGE SYSTEM OFFICIALS	40
COMMUNITY COLLEGE PRESIDENTS	41

FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

INFORMATION SYSTEMS

Improve Oversight of Information Technology Third-Party Service Providers

The Virginia Community College System Office (System Office) does not have a defined process to gain assurance that its information technology (IT) third-party service providers (providers) have secure IT environments that protect sensitive data.

Specifically:

- The System Office does not have a complete list of providers.
- The System Office's contracts do not contain language requiring the providers to share the results of an independent audit of the providers' IT controls.
- The System Office does not have formal procedures or processes to review and evaluate independent audits of the providers' IT environments.
- The System Office requires its providers to sign non-disclosure agreements agreeing to provide certain security controls over the System Office's sensitive data; however, the agreements do not cover specific IT security requirements, such as change management, identification of vulnerabilities, and other information security activities.

The System Office and 23 individual community colleges follow the System Security Standard, which is based on the International Organization for Standardization Standard 27002 (ISO Security Standard). While absent from the System Security Standard, the ISO Security Standard, section 15.1, requires organizations to create agreements that defines the provider's obligation to periodically deliver an independent report on the effectiveness of controls. The agreement should also require the provider's timely correction of relevant issues raised in the report.

Additionally, the System Security Standard, section 10.2.1, requires that providers implement controls that meet the System Security Standard to enable the providers to sustain the same safeguards over sensitive data. The System Office can obtain assurance over these controls in several forms, including, but not limited to, Service Organization Control (SOC) reports, independent audit reports, or on-site reviews of the provider's internal control environment.

Without a defined process to gain assurance over providers' IT environments, the System Office cannot consistently validate that those providers have effective IT controls to protect its sensitive data. The lack of a defined process and procedures is the result of an outdated System Security Standard that does not align with the current version of the ISO Security Standard. The System Office bases some of the components of the System Security Standard on a superseded version of the ISO Security Standard, which does not require providers to periodically deliver an independent report on the effectiveness of controls. Additionally, the System Office's IT department lacks sufficient resources to adequately manage and review their providers' IT environments.

The System Office should update the System Security Standard to align with the requirements in the current ISO Security Standard and formalize a process to gain assurance that its providers have secure IT environments to protect sensitive data. The System Office should maintain a complete list of its providers and assign responsibility for managing the list to a designated individual or a service management team. Also, the System Office should include language in all provider contracts requiring the provider to produce independently verified assurance on the effectiveness of its IT controls. After the System Office develops a formal process, it should incorporate the process into its information security program.

Improve Vulnerability Scanning Program

The System Office does not have adequate procedures for performing vulnerability scans of sensitive and mission critical systems, which are relied upon by the 23 community colleges and the System Office. The System Office is responsible for scanning 575 internally facing and 286 externally facing servers that support its network and daily business functions. However, the System Security Standard does not include a frequency requirement for vulnerability scanning activities, and does not include a time requirement for remediating legitimate vulnerabilities. Additionally, there are no formal processes documented for evaluating, testing, and remediating vulnerabilities for its centralized sensitive and mission critical systems.

The ISO Security Standard, which serves as the basis for the System Security Standard, requires organizations to obtain vulnerability information and perform corrective action in a timely fashion. However, without defining the required frequency for performing vulnerability scans and the timeframe to remediate the vulnerabilities identified, variances in the quality and timing of vulnerability scanning and remediation procedures occur among the System Office and colleges.

The System Office does not have specific procedures to address the vulnerability management process due to its inability to fill vacant positions and other competing priorities. However, the System Office has made progress in updating the System Security Standard to align with the ISO Security Standard. The System Office should continue to dedicate the necessary resources to update the System Security Standard and supporting procedures to define a frequency for performing vulnerability scans and remediation efforts. The System Office should also develop formal processes to evaluate, test, and remediate vulnerabilities, which will improve the System Office's compliance with current industry standards.

Improve Operating System Security

The System Office does not use some required and essential operating system security controls to properly secure a database server supporting a mission critical system.

We identified four essential controls that do not meet the System Office's information security requirements and industry best practices. The details of these control weaknesses were communicated to management in a separate document marked Freedom of Information Act Exempt

(FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The System Office should dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements outlined in the System Security Standard and industry best practices.

Improve Effectiveness of Administrative Information System Access Controls

The Virginia Community College System Office has not established an effective method to ensure Administrative Information System (AIS) access levels are appropriate at all System colleges. Some colleges are unaware of the resources available to them to assist in establishing roles and preferences needed to reduce risk of inappropriate AIS access levels as detailed in the finding entitled, “Assign System Access Based on Least Privilege,” included in the report below.

The System Security Standard, section 11.2 – User Access Control, dictates the principle of least privilege must be used by each college and the System Office in the assignment of security roles and responsibilities. Granting access based on the principle of least privilege is a best practice for maintaining security over critical systems. Allowing excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data.

The System operates under a distributed security model and, as such, the System Office developed AIS user manuals and access guides for use by community college security officers and business officers. These guides, however, do not provide sufficient detail to effectively communicate how to establish appropriate roles and preferences to minimize segregation of duties issues at the community college level. Additionally, over the last several years System Office staff have provided various trainings and communications to community college personnel regarding AIS access management; however, there remains an overall lack of awareness of the tools available to each college to help manage access. For example, many community colleges are not aware of and are not using queries developed by the System Office to help detect potential AIS access conflicts. While there are likely other contributing factors to the lack of awareness at the college level, such as employee turnover, the current approach to education and access management would benefit from further refinement.

As the System implements its Shared Services Center, some existing access conflicts may be mitigated by centralizing community college business processes; however, since the Shared Service Center implementation will occur in phases, it will not provide an immediate resolution to the deficiencies noted in the current environment. The System Office should work with various stakeholders, including community college personnel and its Audit and Consulting team, to develop and implement a plan to ensure the individual community colleges establish and maintain appropriate AIS access levels. The System Office should consider developing a mechanism for periodic monitoring of potential conflicting roles to the community colleges and help individual colleges to reduce risk when conflicting roles are needed. Colleges must justify why conflicting access is necessary and establish compensating controls or adjust employee responsibilities to eliminate the

need for conflicting access. Open communication between individual community colleges and the System Office regarding access is critical in ensuring that colleges have the tools and knowledge necessary to establish and evaluate employee AIS access. Additionally, the System Office should also use the implementation of the Shared Services Center to help colleges right-size access levels based upon actual needs.

Assign System Access Based on Least Privilege

*Applicable to: Mountain Empire Community College
New River Community College
Northern Virginia Community College (repeat finding)
Patrick Henry Community College
Virginia Highlands Community College
Wytheville Community College*

The colleges identified are not consistently granting access to systems based on the principle of least privilege. The colleges also failed to identify users with segregation of duties conflicts during system access reviews. We noted instances in which the colleges granted employees Administrative Information System (AIS) and Student Information System (SIS) roles and privileges that were not necessary to perform job duties. Our review also noted the colleges lack adequate documentation to support effective design and operation of compensating controls when segregation of duties conflicts are unavoidable.

The System Security Standard, Section 11.2 – User Access Control, dictates the principle of least privilege must be used by each college and the System Office in the assignment of security roles and responsibilities. Granting access based on the principle of least privilege is a best practice for maintaining security over critical systems. Allowing excessive access to critical systems unnecessarily compromises data integrity and increases exposure to sensitive data.

As noted in the finding above entitled, “Improve Effectiveness of Administrative Information System Access Controls,” there are many potential causes of access management deficiencies at the various colleges. Management of each college should review and update SIS and AIS user access to exercise appropriate segregation of duties and eliminate access to conflicting roles. Larger colleges should eliminate unnecessary access to conflicting roles or should redesign business processes and the responsibilities of individual employees to eliminate the need for conflicting access. As a last resort, larger colleges may implement compensating controls to mitigate the risk of employee access to conflicting roles; however, the college should maintain documentation as evidence to show the implementation and effective operation of compensating controls. Small colleges, which may have fewer employees available to process transactions, may need to compromise the principle of least privilege and proper segregation of duties to ensure business operations function normally. However, management should strive to minimize risk of having users with significant access conflicts by implementing compensating controls, for example, documented review of queries designed to identify exceptions to normal internal control processes.

Deactivate User Access Promptly Upon Employee Separation

Applicable to: Mountain Empire Community College

New River Community College

Wytheville Community College

Several colleges did not remove access to college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. Specifically, we noted the following deficiencies, listed by college:

Mountain Empire

- Mountain Empire staff did not delete employee access to the Commonwealth's eVA Electronic Procurement System (eVA) promptly for six individuals at the college (60 percent) due to oversight by the College's eVA Security Officer.

New River

- New River staff did not delete employee access to eVA promptly for two out of five individuals sampled (40 percent).
- One employee continued to have Student Information System (SIS) access after terminating employment with the College.
- Three employees did not have the required Information Technology Account Request Form on file indicating the date of removal of their access.

Wytheville

- Wytheville staff did not delete employee access to SIS promptly for two out of eight individuals sampled (25 percent).

The eVA Electronic Procurement System Security Standards, Section 2.8 - Deactivation of eVA Access, requires institutions to deactivate eVA access when the requirement for access no longer exists. Additionally, in accordance with the ISO Security Standard, Section 9.2.6, Removal or adjustment of access rights, "The access rights of all employees and external party users to information and information processing facilities should be removed upon termination of their employment, contract or agreement, or adjusted upon change." Untimely deletion of access to applications or sensitive systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution.

The colleges should implement procedures to adhere to the eVA Electronic Procurement System Security Standards. This policy outlines the responsibility of the eVA Security Officer when there is a separation of an employee, transfer, or a change of duties. Additionally, the Colleges should ensure existing procedures allow for the timely termination of information systems access based on employee's employment status or job responsibilities or should update procedures to allow for timely removal of access.

BUSINESS PROCESSES

Improve Fixed Asset Inventory and Tracking

Applicable to: New River Community College

Southwest Virginia Community College

Wytheville Community College

The colleges identified did not complete a full fixed asset inventory as required by the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Specifically, we noted the following deficiencies, listed by college:

New River

- One asset purchased in 2014 did not have the assigned tag affixed. The asset was still in the box and has not been placed into operation.
- One asset purchased in 2010 did not have the assigned tag affixed. The asset was still in the box and has not been placed into operation.
- One asset was transferred to Wytheville Community College. No audit trail was available to record the transfer and the asset remains in New River's fixed asset system.
- One asset, identified as surplus during fiscal year 2014, remains in the fixed asset system.

Southwest Virginia

- Southwest Virginia transferred one asset to a fellow community college during fiscal year 2014, but the asset remained in Southwest Virginia's fixed asset system.
- Two assets, identified as surplus during fiscal year 2014, remain in the fixed asset system.
- Two assets did not have the assigned tag affixed to the asset.

Wytheville

- Wytheville personnel did not properly reconcile its fixed asset inventory in accordance with the Virginia Community College System Capital Assets Policies and Procedures Manual (CAPPM).
- Wytheville improperly removed a substantial portion of its assets from its accounting records. After fiscal year end, System Office staff detected these disposals and made corrections to properly report depreciable asset balances in the consolidated System financial statements. In an attempt to improve the process, Wytheville implemented an internal policy of conducting rolling quarterly audits as a means of reconciling its fixed asset inventory and identifying missing items. These ancillary audits have uncovered additional errors not corrected during the fiscal year 2015 reporting process; and while these errors are not likely to be material to the

consolidated financial statements, they further indicate a weakness in Wytheville's internal control over fixed assets during fiscal year 2015.

The System Capital Assets Policies and Procedures Manual and Topic 30505 of the CAPP Manual requires a physical inventory of capital assets at least once every two years in order to properly safeguard assets and maintain fiscal accountability. Discrepancies between recorded and actual inventories must be resolved in a timely manner through the submission of revised input forms and tagging, if necessary. Topic 30705 of the CAPP Manual, Surplus Property Management requires an agency to reclassify an asset to surplus when the agency determines that the asset has served its useful purpose, is no longer functional, cannot be repaired or improved, or is not needed within the agency.

Insufficient inventory of the college's physical assets increases the risk of misappropriation of college property, and may contribute to the inclusion of inaccurate information in the fixed asset system and financial statements. The primary cause for not removing assets from the fixed asset system for each college is indeterminable; however, a proper and effective inventory should result in an accurate accounting of equipment, and indicates the reliability of the system of control for acquiring, using, and disposing of equipment.

Management of each college should evaluate current inventory and tracking procedures and implement corrective action to ensure proper monitoring of fixed assets in accordance with state requirements. Additionally, management of each college should ensure that upon completion of a full inventory, the college corrects discrepancies and removes surplus assets from its fixed asset system.

NEW RIVER COMMUNITY COLLEGE

Approve Revenue Journal Entries Timely

New River personnel did not approve or post daily revenue journal entries to the general ledger in a timely manner. Although personnel submitted entries to the Commonwealth Accounting and Reporting System (CARS) timely once posted to the general ledger, the college posted 18 out of 25 journal entries reviewed (72 percent) to the general ledger in a delayed manner due to untimely approval. The primary cause of untimely approval of the entries was a delay in providing the journal entries to the Cashier for entry. Once the appropriate personnel provided the entries, the Cashier backdated the journal entries and submitted them for approval.

According to CAPP Manual Topic 20905, basic objectives of the classification, recording and summarization processes include monthly certification by the fiscal officer that all CARS general ledger account balances for the agency will be correct after the agency processes any needed Agency Transaction Voucher and/or Interagency Voucher entries.

Untimely approval and posting of journal entries can result in inaccurate data within college AIS accounts while the journal entry remains in a pending status. In addition, since information

transfers to the Commonwealth's accounting system using an interface process, CARS will not reflect accurate and current information until after the college posts the entries to the general ledger.

Management should evaluate current procedures for approving and posting revenue journal entries to the general ledger and should implement corrective action to review and approve journal entries in a timely manner. Management should also implement procedures to review "pending" journal entries periodically as a reminder to ensure proper posting to the general ledger.

Improve Documentation of myVRS Navigator Reconciliation Process

New River Human Resources personnel completed a monthly reconciliation between the Virginia Retirement System's (VRS) *myVRS Navigator* and college internal records; however, personnel did not retain documentation to provide an audit trail showing completion of the reconciliation, resolution of reconciling items and review of applicable exception reports, including the Personnel Management Information System (PMIS) Cancelled Records Report and the VRS Automated Recon Reports noted in the Department of Accounts' (DOA) Payroll Bulletin 2013-02. Additionally, the college does not have formally documented procedures to use as a reference in performing the reconciliation.

The "Contribution Confirmation and Payment Scheduling" section of the VRS Employer Manual requires the contribution snapshot be reviewed and reconciled prior to confirmation to ensure reporting of accurate data to VRS and DOA.

Inadequately documented procedures can lead to inconsistencies in the reconciliation process. By not documenting the reconciliation and review of exception reports, New River is unable to provide an audit trail to confirm timely identification and resolution of discrepancies and exceptions between *myVRS Navigator* and employee records. Insufficient or untimely reconciliation can lead to improper confirmation of retirement contributions, which can impact financial reporting and assumptions made by VRS in setting contribution rates.

Management should evaluate and document current procedures for completing *myVRS Navigator* reconciliations and retain appropriate documentation for audit purposes. Management should compile and retain a comprehensive reconciliation to include the comparison between the contribution snapshot and the College's payroll system, documentation for resolution of reconciling items, and review of applicable exception reports.

PATRICK HENRY COMMUNITY COLLEGE

Improve Financial Reporting for Accounts Receivable

Patrick Henry's written policies for establishing an allowance for doubtful accounts and writing off past due accounts are insufficient and not detailed enough to ensure consistent allowance calculations and write-offs. Patrick Henry personnel did not apply an allowance for doubtful

accounts to the majority of account types, including student receivables, which comprise the largest portion of the College's accounts receivable balance. In addition, the College does not maintain detailed procedures detailing the allowance estimate calculation process, nor does the College determine an appropriate percentage to be used based on historical information or other relevant data. Additionally, the College does not perform write-offs regularly and recorded accounts receivable for balances in accounts past due greater than 180 days, which is their established cut-off for the write-off of past due accounts.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20505 provides procedures for ensuring that accounts receivable are fairly presented in accordance with generally accepted accounting principles. Colleges must maintain an accurate record of accounts receivable in order to provide an aged trial balance of receivables. Additionally, CAPP Manual Topic 20505 requires realistic estimates of, and proper accounting for, doubtful accounts and adequate documentation of the methodology used to estimate doubtful accounts. The estimated allowance for doubtful accounts methodology should be based upon historical data or other pertinent information relative to the receivables in question.

By not using historical data to establish an allowance percentage, not applying an allowance amount to student accounts, and not consistently writing off past due accounts that are deemed uncollectible, there is an increased risk of reporting inaccurate accounts receivable information to the System Office via the required year-end financial schedules. As the financial schedules provide the basis for the consolidated VCCS financial statements, any deficiency in reporting accounts receivable could result in a misstatement of the VCCS financial statements.

Management should improve its documented procedures for the calculation of the allowance for doubtful accounts, which should include significant assumptions regarding collectability of certain types of receivables and methodology used in the calculation. Management should also improve policies and procedures regarding the write-off of uncollectible accounts. Sufficient written procedures will allow for a consistent calculation of accounts receivable when there is turnover in financial positions and reduce the risk of reporting inaccurate accounts receivable information.

Retain Audit Support for Financial Statement Schedules

The Patrick Henry Business Office was unable to provide supporting documentation and calculations for the amount reported to the System Office for summer faculty wages paid or accrued. The audit could not confirm the accuracy of the amount reported as the Business Office could not provide source information showing the calculation of the amount.

CAPP Manual Topic 21005 – Records Retention and Disposition, outlines minimum record retention periods for audit support, and the policy applies to all records relating to payroll. The topic states that agency level copies of support required for audit should be retained for three years or until audited by the Auditor of Public Accounts. The reason that College personnel did not retain supporting documentation was indeterminable.

Insufficient documentation supporting the calculation of amounts included in financial schedules submitted to the System Office increases the risk that the inaccurate information may be included in the System's financial statements. The Patrick Henry Business Office should properly maintain all supporting calculations for schedules submitted to the System Office.

SOUTHWEST VIRGINIA COMMUNITY COLLEGE

Ensure Proper Monitoring of Auxiliary Contracts

Southwest Virginia personnel did not properly monitor its auxiliary revenue-generating contracts. The following deficiencies were noted:

- Vendors did not pay 23 out of 24 Bookstore commissions (95 percent) in a timely manner in accordance with contractual requirements.
- All renewals on the vending contract expired in November 2004. The College has been receiving commission payments from the same vendor since 2004 without the issuance of a new Request for Proposals (RFP).

In accordance with § 2.2-4300 of the Code of Virginia (Virginia Public Procurement Act), "it is the intent of the General Assembly that competition be sought to the maximum feasible degree, that procurement procedures involve openness and administrative efficiency, that individual public bodies enjoy broad flexibility in fashioning details of such competition, that the rules governing contract awards be made clear in advance of the competition, that specifications reflect the procurement needs of the purchasing body rather than being drawn to favor a particular vendor, and that the purchaser and vendor freely exchange information concerning what is sought to be procured and what is offered."

By not performing due diligence with regard to contract monitoring, Southwest Virginia does not have timely access to resources derived from commission payments for use in its daily operations, which should have been paid in accordance with the terms of the contract. Additionally, without issuing a new vending RFP, the College is unable to negotiate new rates, which may result in an increase in auxiliary commissions or the opportunity for other vendors to bid for the College's business.

Management should review current procedures for monitoring revenue-generating contracts and evaluate late payments made by a vendor when assessing the vendor's performance under the contract. Management should also issue a new Request for Proposals upon expiration of contract renewals to ensure compliance with the Virginia Public Procurement Act.

VIRGINIA HIGHLANDS COMMUNITY COLLEGE

Improve Documentation of Policies and Procedures

Virginia Highlands' current documented policies and procedures lack detailed information regarding certain Business Office processes. Specifically, the Business Office Procedures Manual lacks detailed written procedures for establishing an allowance for doubtful accounts and for assigning and reviewing users' access roles in SIS.

The Business Office Procedures Manual includes high level explanations of the major Business Office processes. Best practices include establishing detailed written policies and procedures for significant fiscal processes. Certain procedures may not be fully documented due to knowledge and experience of the Virginia Highlands' veteran employees or former employees; however, a lack of detailed written policies and procedures over critical business processes increases the risk of inconsistent application of internal control processes, particularly when the college experiences vacancies in key positions.

Management should review critical Business Office processes, compare its existing processes to its current documented policies and procedures, and add additional detail to existing policies and procedures where necessary. Management should then maintain, review, and update the Business Office Procedures Manual on an as needed basis.

WYTHEVILLE COMMUNITY COLLEGE

Perform myVRS Navigator Pre-Reconciliations

Wytheville did not perform and document pre-certification reconciliations of the Personal Management Information System (PMIS) to *myVRS* Navigator as required by the Contribution Confirmation and Payment Scheduling chapter of the VRS Employer Manual.

The VRS Employer Manual requires the contribution snapshot be reviewed and reconciled prior to confirmation to ensure reporting of accurate data to *myVRS* Navigator. Verifying that the employee census data in PMIS is consistent with the data in *myVRS* Navigator ensures the accuracy of contributions to VRS, proper calculation of pension liabilities reported in the financial statements, and accuracy of retirement benefits paid out to retirees. By not documenting the reconciliation, management is unable to provide evidence that Wytheville verified that the data for its employees is correct in *myVRS* Navigator.

Wytheville should perform the required pre-reconciliation of PMIS to *myVRS* Navigator. Additionally, Wytheville should retain sufficient documentation to demonstrate it performed the required reconciliation and made the proper changes in each system, as needed.

FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

STUDENT FINANCIAL AID

Improve Compliance over Enrollment Reporting

*Applicable to: Blue Ridge Community College,
Central Virginia Community College
Germanna, Community College
John Tyler Community College
Mountain Empire Community College
Paul D. Camp Community College
Southwest Virginia Community College
Virginia Highlands Community College*

These institutions did not properly report enrollment changes to the U.S. Department of Education using the National Student Loan Data System (NSLDS):

Blue Ridge Community College did not report timely enrollment changes for 25 out of 35 students (71 percent). The NSLDS enrollment status effective date did not match for 14 students (40 percent) and four students (11 percent) were reported as withdrawn rather than graduated. The existing data extract provided by the System does not contain withdrawal information for students that have unofficially withdrawn. In addition, the National Student Loan Clearinghouse is expected to perform a cross-term comparison to report withdrawal information for students that are no longer enrolled; however, the comparison does not occur until the end of the semester when the student does not return.

Central Virginia Community College did not properly report six of 38 students (16 percent). These students were classified as unofficial withdrawals. Due to turnover, Financial Aid personnel were unaware of the requirement to report unofficial withdrawals.

Germanna Community College did not report timely information for 24 out of 25 students (96 percent). In addition, enrollment information in NSLDS was inaccurate for 13 out of 25 students (52 percent). The untimely and inaccurate information transmissions are due to a lack of detailed policies and procedures and a high level of staff turnover in the Financial Aid Office.

John Tyler Community College personnel did not ensure the timely reporting of enrollment changes for all 25 students tested (100 percent). Enrollment information in NSLDS was inaccurate for 12 of 25 students (48 percent). The untimely and inaccurate transmissions to NSLDS was due to transmission issues between the National Student Clearinghouse, upon which the College places reliance, and NSLDS, along with the number of enrollment errors that College personnel needed to address.

Mountain Empire Community College personnel did not report enrollment changes timely for four out of 25 students (16 percent). The untimely submission was an oversight.

Paul D. Camp Community College did not report timely enrollment changes for 16 out of 18 students (89 percent) and did not report enrollment changes for 13 of those students (72 percent). The untimely and insufficient reporting was a result of the retirement of an employee, changes in reporting mechanisms and incorrect information technology setups.

Southwest Virginia Community College did not properly report enrollment changes timely for two out of nine students that had withdrawn (22 percent) and 16 out of 16 students that had graduated (100 percent). Transmissions were not being completed in a frequency that would ensure compliance with federal requirements.

Virginia Highlands Community College did not report timely enrollment changes for all 18 graduated students tested (100 percent). The college did not report the students timely because the Registrar's staff was unaware they could confer degrees electronically through PeopleSoft and then complete multiple submissions to NSLDS.

In accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2), 34 CFR §690.83(b)(2), and as detailed in Dear Colleague Letter (DCL) GEN 12-06, unless the institution expects to submit its next student status confirmation report within 60 days, the institution must notify the U.S. Department of Education within 30 days of an enrollment change. Additionally, the NSLDS Enrollment Reporting Guide, published by the U.S. Department of Education, identifies specific parameters, which institutions must meet to achieve compliance with these reporting regulations.

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data the colleges report plays a large part in keeping Federal Direct Loan records and other federal student records accurate and up to date.

The institutions should evaluate their existing policies and procedures for scheduling and completing enrollment updates to NSLDS, so that they ensure future compliance with federal requirements. Where applicable, institutions should ensure that staff are informed of the federal requirements and training is identified for staff involved in the enrollment reporting process.

Improve Notification of Awards to Students

*Applicable to: Central Virginia Community College
Germanna Community College*

These institutions are not properly notifying students of Title IV awards. The institutions are required to provide written notification to students including important details on timing and method of disbursement and for loans, the rights, options, and requirements of the student loan.

Central Virginia Community College's Financial Aid Office personnel did not provide award notifications as required to all 20 students tested receiving a Federal Direct Loan award (100

percent). This was a result of employee turnover in the Financial Aid Office.

Germanna Community College did not have documentation of award notification, date and amount of disbursement, or the student's right or parent's right to cancel for eight out of 35 loan recipients reviewed (23 percent). The Financial Aid staff were unaware of the information to be included within the award notification.

Code of Federal Regulations, Title 34 CFR §668.165(a), requires institutions, prior to disbursing Title IV, Higher Education Act Funds for any award year, to notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, Higher Education Act program, and how and when those funds will be disbursed. If those funds include Direct Loans or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. Additionally, 34 CFR §668.165 (3) (i – ii) indicates that for direct loans the institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution, if the institution obtains affirmative confirmation and no later than seven days if the institution does not obtain an affirmative confirmation.

Not properly notifying students in accordance with Federal Regulations may result in adverse actions from the U.S. Department of Education and impact the institution's participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan.

The institutions should review their current policies and procedures for providing notification to federal aid recipients. Corrective measures should be implemented to ensure that students are provided timely notifications, which include required elements. Where applicable, the institutions should ensure that staff are informed of the federal requirements and/or identify training opportunities for staff involved in the federal aid process.

Improve Reporting to the Common Origination and Disbursement System (COD)

*Applicable to: Paul D. Camp Community College
Virginia Highlands Community College*

These institutions did not provide timely, and in some cases accurate, information to the Common Origination and Disbursement system (COD).

Paul D. Camp Community College did not submit timely disbursements for two out of 40 students (five percent) and three out of 12 Title IV adjustments (25 percent). The delay is due to the College not completing its reporting process in its entirety.

Virginia Highlands Community College did not report disbursements timely for eight students included within the Return of Title IV batch on April 17, 2015. The disbursements were reported to COD on May 29, 2015. The untimely submission was a result of an oversight.

In accordance with 78 FR 40732, an institution must submit Federal Pell Grant and Direct Loan disbursement records no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement. In accordance with 34 CFR §668.14(a), Title IV funds are disbursed on the date that the institution (a) credits those funds to the student's account in the institution's general ledger or any subledger of the general ledger, or (b) pays those funds to the student directly. Title IV funds are disbursed even if the institution uses its own funds in advance of receiving program funds from the Secretary.

If an institution does not submit disbursement records within the required timeframe, it may result in the U.S. Department of Education rejecting all or part of the reported disbursement. This may result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty. The institutions should review their current policies and procedures for submitting disbursement records and implement corrective action to ensure future compliance.

Perform and Document Monthly Reconciliations of Direct Loans

*Applicable to: Central Virginia Community College
Germanna Community College*

These institutions were unable to provide sufficient documentation showing reconciliation of their internal records to the Direct Loan Servicing System (DLSS) upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement System (COD).

Central Virginia Community College personnel could not provide an audit trail that detailed that a reconciliation had been performed between internal accounting records and the DLSS. This was a result of turnover in the Financial Aid Office.

Germanna Community College Financial Aid Office personnel were unable to provide sufficient documentation of reconciliations between internal records and the DLSS due to high turnover in the office.

In accordance with 34 CFR §685.300(b) and 34 CFR §685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records to aid in this reconciliation process. The Student Financial Aid Handbook further details that the institution should identify any discrepancies and take necessary corrective action to ensure they will not recur in the following month.

By not reconciling federal student aid programs monthly as required, the institution places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and impact participation by the institution in Title IV programs.

The institutions should perform and retain sufficient documentation of their monthly reconciliations and resolve reconciling items between their financial systems and DLSS records in a timely manner to ensure compliance with federal regulations. In addition, the institutions should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.

Properly Process Return of Title IV Calculations

*Applicable to: Central Virginia Community College,
Germanna Community College,
J. Sargeant Reynolds Community College,*

The Financial Aid Offices at these institutions did not properly identify, accurately perform Title IV (R2T4) calculations, and/or return unclaimed federal aid for students who officially or unofficially withdrew from courses and no longer qualified for federal financial aid.

Central Virginia Community College's Financial Aid personnel did not properly handle Title IV funds for ten of 19 students tested (53 percent). The following errors were identified as a result of employee turnover in the Financial Aid Office:

- For one student, the college did not draw down the original federal award from the U.S. Department of Education and apply it to the student's account. The college should have drawn down an additional \$971.
- For one student, the college did not return \$817 to the U.S. Department of Education after determining the student had withdrawn.
- For one student, the college returned too much in federal aid after calculating the amount to return. The college should draw down \$343 in federal aid.
- For one student, the college incorrectly determined the student earned 100 percent of federal aid. The college should return \$150 to the U.S. Department of Education.
- For one student, the college did not properly calculate the correct amount to return and should return an additional \$9 to the U.S. Department of Education.
- For two students, the college did not promptly return Title IV funds within 45 days of the institution's determination that the students had withdrawn.
- For four students, the college did not process the original award for the student through Common Origination and Disbursement (COD). Instead, the College sent the reduced award amount to COD for processing.

Germanna Community College's Financial Aid staff did not provide sufficient evidence that withdrawals had been properly identified for three out of 40 students tested (eight percent). For

eleven students (28 percent), the R2T4 calculation was not accurately performed. The errors resulted in the requirement for the college to return an additional \$27.80 to the U.S. Department of Education. Errors were a result of a high level of staff turnover in the Financial Aid Office.

J. Sargeant Reynolds Community College did not return unearned Title IV funds to the U.S. Department of Education timely. For five out of 46 students (11 percent), the funds were not returned timely; and for one student, the funds were not returned at all. Management indicated that the Student Information System disbursement dates were missed when the Common Origination and Disbursement system was updated.

Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. Institutions not required to take attendance must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (i) Payment period or period of enrollment; (ii) Academic year in which the student withdrew; or (iii) Educational program from which the student withdrew. Institutions must return unearned financial aid funds to the U.S. Department of Education no later than 45 days from the date that the institution had determined that the student had withdrawn.

Improperly identifying, calculating, and not returning unearned Title IV funds timely to the U.S. Department of Education may result in adverse actions and impact the institution's participation in Title IV programs. The institutions should review current R2T4 policies, procedures, and implement corrective action to include a second level of review to ensure that students requiring calculations have been properly identified, calculations are accurate, and unearned funds have been returned to the U.S. Department of Education within the required timeframe.

Reconcile Federal Fund Accounts

*Applicable to: Central Virginia Community College
John Tyler Community College*

These institutions could not provide sufficient documentation as audit evidence that an adequate reconciliation had been performed between federal systems and the institutions' internal accounting records.

Central Virginia Community College personnel did not reconcile the federal G5 system drawdowns to its internal accounting records. Since the college did not reconcile the accounting records, the college drew down \$611,753 in excess federal funds during December 2014 that was subsequently returned to the U.S. Department of Education in February 2015. The drawdown error was a result of a staff member being unaware of the federal regulations and drawing down more funds than had been disbursed by the College.

John Tyler Community College personnel could not locate evidence of the completion of reconciliations between the federal G5 drawdowns and internal accounting records. The lack of reconciliation was a result of employee turnover, as the previous Business Manager retired in December 2014.

In accordance with federal regulations for applicable programs, institutions are required to complete a minimum of a monthly reconciliation of federal aid programs and a year-end closeout final reconciliation of Direct Loan accounts. Reconciliation requirements are detailed in chapters five (Reconciliation in the Pell Grant and Campus-Based Programs) and six (Reconciliation in the Direct Loan Program) of the Federal Student Financial Aid Handbook.

By not reconciling federal student aid programs monthly as required, the institution places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and impact participation by the institution in Title IV programs.

The institutions should review policies and procedures for completing federal aid program reconciliations. Institutions should ensure that reconciliations are performed monthly and documentation is retained for audit purposes.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 13, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College Systems

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the Virginia Community College System (System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated October 13, 2016. 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 System, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The System's Response to Findings

We discussed this report with management at an exit conference held on September 12, 2016. The System's response to the findings identified in our audit is described in the accompanying section titled "Virginia Community College System – Responses to Audit Findings." The System'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

We did not audit the implementation of corrective actions for all findings in the prior year audit. Due to timing of the findings issued in the previous year's report, the colleges may not have implemented corrective action prior to the end of the fiscal year under audit. Review of the corrective action plans for these findings will occur during subsequent audits of the System. With respect to prior audit findings that we followed up on this year, Northern Virginia Community College's corrective action for the previously reported finding "Assign System Access Based on Least Privilege" remains ongoing. Accordingly, we included the finding "Assign System Access Based on Least Privilege" in the section entitled "Financial Internal Control and Compliance Findings."

Purpose of this Report

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

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh



November 14, 2016

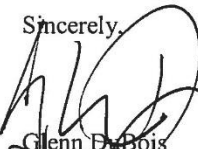
Ms. Martha Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218-1295

Dear Ms. Mavredes:

We are providing this letter in response to your report on the audit of the financial records of the Virginia Community College System for the fiscal year ended June 30, 2015.

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

If you have any questions, please contact Randy Johnson, VCCS Controller, at (804) 819-4922.

Sincerely,

Glenn DeBois
Chancellor

GD/rkj

Enclosure

cc: Ms. Donna VanCleave
Mr. Randy Johnson

VIRGINIA COMMUNITY COLLEGE SYSTEM – RESPONSES TO AUDIT FINDINGS

INFORMATION SYSTEMS

Improve Oversight of Information Technology Third-Party Service Providers

Management Plan for Corrective Action for the System Office:

The System Office will implement a process including the following steps to gain assurance that information technology third-party service providers have secure IT environments:

- The System Office will maintain a complete list of providers and assign oversight responsibility
- The System Office will include language in contracts requiring Providers to provide independently verified assurances of IT controls
- The resulting process will be incorporated into the information security program
- The System Office will align their security program to the current ISO version

Responsible Party: VCCS Information Security Officer

Completion Dates:

- Complete list of providers and assign oversight responsibility: February 28, 2017
- Contractual language added to contracts: February 28, 2017
- Process added to information security program: June 30, 2017
- Aligning security program to current ISO version: January 1, 2018

Improve Vulnerability Scanning Program

Management Plan for Corrective Action for the System Office:

The System Office will revise the VCCS IT Security Standard to define a frequency for performing vulnerability scans and develop formal processes to evaluate, test, and remediate vulnerabilities.

Responsible Party: Chief Information Security Officer

Completion Date: March 31, 2017

Improve Operating System Security

Management Plan for Corrective Action for the System Office:

The System Office will dedicate the necessary resources to implement and improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements outlined in the VCCS Security Standard and industry best practices.

Responsible Parties: Chief Information Security Officer
Director of Enterprise Operation Support Center

Completion Date: March 31, 2017

Improve Effectiveness of Administrative Information System Access Controls

The VCCS System Office Fiscal Services and ITS Security Departments work collaboratively to ensure available roles and preferences are available in AIS and to provide guidance and training to the colleges. However, with regard to AIS user assignments at the college level, as noted in the finding, we operate under a distributed security model. That is, security officers and business office management at the college are responsible for assignment of college user roles and preferences in AIS. Furthermore, college management is responsible for assessing risks, including those resulting from resource limitations, and designing and implementing effective internal controls to mitigate unacceptable risks.

With regard to the assertion that college personnel are unaware of available resources, the System Office has taken the following actions to address this very issue:

- The VCCS Senior Information Security Analyst hosts a conference call with college AIS Security Administrators at least quarterly. This call is a forum for open discussion of any AIS security concerns.
- Several years ago, Fiscal Services and ITS Security reworked AIS roles and permissions as a result of an APA audit finding. Part of the process included detailed communication to colleges about available roles/permissions and queries.
- Fiscal Services has conducted AIS security access classes during several of the Administrative Services Conferences over the past several years, most recently in June 2016.
- AIS role spreadsheet and other documents are available on the VCCS intranet and college security administrators have been informed of this fact.

With regard to availability of AIS access documentation, as mentioned, role spreadsheets are currently available on the VCCS intranet. However, VCCS Fiscal

Services will add additional information, specifically documentation about assignment of preferences. In addition, the Fiscal Services and ITS Security Departments will begin conducting semi-annual webinars on AIS Security with both college security administrators and business office managers as the targeted attendees.

Finally, as the VCCS continues to redesign business processes with a goal to move most recurring transactions to a Shared Services Center (SSC), Fiscal Services will continue to be actively involved as we believe appropriate staffing and proper internal control design/implementation in the SSC are the most likely paths to resolution of recurring access issues.

Responsible Parties: Controller
Chief Information Security Officer

Completion Date: December 31, 2016

Assign System Access Based on Least Privilege

*Applicable to: Mountain Empire Community College
New River Community College
Northern Virginia Community College (repeat finding)
Patrick Henry Community College
Virginia Highlands Community College
Wytheville Community College*

Management Plan for Corrective Action for Mountain Empire Community College:

Mountain Empire Community College has modified the AIS and SIS user roles for the Vice President of Finance and Administration to better conform to the principle of least privilege.

Responsible Parties: Business Manager and IT Specialists

Completion Date: June 23, 2016

Management Plan for Corrective Action for New River Community College:

The College performed a review of various roles and changed access for the following positions to adhere to the principle of least privilege: Director of Human Resources and Business Operations, Cashier, and Student Accounts Specialist. Access was adjusted to provide for proper segregation of duties. As a compensating control, the Vice President for Finance and Technology will review all transactions for the Business Office and Human Resources Office.

The Interim Director of Information Technology will send audit reviews of all accesses in AIS, SIS, and HRMS biannually for review by the appropriate data owners and supporting documentation will be maintained.

Responsible Parties: Interim Director of Information Technology and Director of Human Resources and Business Operations

Completion Date: December 31, 2016

Management Plan for Corrective Action for Northern Virginia Community College:

The College (Information Technology) has a carefully designed process to approve system access consistent with the policy of least access. This process provides for review and approval of access requests by both a subject matter expert in the specific system as well as the data owner. College policy is that all system access should be based on the principle of least privilege. In addition, all faculty and staff members complete a web based IT security awareness course on an annual basis.

Roles and AIS access rights will be reviewed annually or on an as needed basis to ensure that system access is appropriate and compensating controls are working as intended to reinforce the least privileges practice.

Within AIS, some roles must be granted in order to perform the job responsibilities. The College has a process in place that provides segregation of duties between keying an entry and posting an entry. There are separate sign offs on each journal form. The journal entry creator will stamp the entry "entered" and sign and date the form. The reviewer will stamp the entry "posted" and sign and date the form as evidence of approval. This process is more fully described in the Accounting Operations Financial Reporting Procedures Manual Section II – Journal Entry Processing. Within the AP module, access to the role VX_AP_ENTRY_MANGER is needed to post a batch. We monitor and control access to this role. There are two primary and two backups with this role. To ensure payables are accurate, our procedures require that vouchers are reviewed before posting.

Responsible Party: College Controller

Completion Date: Currently in effect

Management Plan for Corrective Action for Patrick Henry Community College:

Management will perform a review and update SIS and AIS user access for more appropriate segregation of duties to support the principle of least privilege.

Management will also implement additional compensating controls to include queries/reports to monitor transactions and activities to aid in minimizing risks.

Responsible Party: Business Manager

Completion Date: December 31, 2016

Management Plan for Corrective Action for Virginia Highlands Community College:

Management agrees that system access controls within AIS and SIS are important to maintain security over critical systems. While VHCC Business Office staff size dictates that ideal controls and ideal separation of duties are not always possible, compensating controls will be implemented to ensure compliance with internal controls. The College's AIS and SIS access procedures have been updated to specify that access is to be granted based on the principle of least privilege. When the Finance Director performs the annual review of AIS and SIS access as required by VCCS policy, all roles and assigned users will be evaluated to determine appropriate segregation of duties. For each conflicting role, access will either be removed or compensating controls identified. This annual review process will become part of the VHCC Business Office Procedures Manual.

Responsible Party: Finance Manager

Completion Date: December 31, 2016

Management Plan for Corrective Action for Wytheville Community College:

The College performed a review of AIS and SIS access by utilizing staff member's Employee Work Performance (EWP) to ensure that proper access was granted in accordance with the System IT Security Standard, 11.2, which dictates the principle of least privilege must be used by the College in the assignment of security roles and responsibilities. SIS and AIS access was adjusted so that the entering and posting of entries will not be permitted by a single user in order to properly segregate duties. The review and related access changes were documented and communicated to Administrators and Area Supervisors.

Management will perform annual reviews of AIS and SIS access to ensure that controls are place for the appropriate segregation of duties. Additional reviews of AIS and SIS access will occur within 30 days of any employee turnover in the Business Office.

Responsible Parties: Director of Technology and Interim Business Manager

Completion Date: August 31, 2016

Deactivate User Access Promptly Upon Employee Separation

*Applicable to: Mountain Empire Community College
New River Community College
Wytheville Community College*

Management Plan for Corrective Action for Mountain Empire Community College:

Mountain Empire Community College has implemented procedures for the eVA Security Officer and Procurement Officer to routinely review all eVA users. In addition, as part of the internal termination checklist form/process, deactivation of eVA access will be performed and signed off by the IT Services department.

Responsible Parties: eVA Security Officer and Procurement Officer

Completion Date: June 2, 2016

Management Plan for Corrective Action for New River Community College:

The College will redesign the Information Technology Account Request Form to closely follow the progression of an employee's access changes from inception to removal. The new form will have checklists and will be accompanied by a screenshot of access as it is removed which will provide a date and visual confirmation when access is deleted.

Responsible Parties: Interim Director of Technology

Completion Date: December 31, 2016

Management Plan for Corrective Action for Wytheville Community College:

The College developed and disseminated a formal procedure for deactivating system access within 24 hours of an individual's termination or change in employment. This procedure provides comprehensive documentation of the employee's system accesses, the date the access was terminated, the action taken to terminate the access, and the party responsible for terminating each access. Additionally, quarterly reviews will be performed by the IT Department Staff to ensure system accesses have been deactivated on user accounts with terminations or changes in employment.

Responsible Party: Director of Technology

Completion Date: August 5, 2016

BUSINESS PROCESSES

Improve Fixed Asset Inventory and Tracking

*Applicable to: New River Community College
Southwest Virginia Community College
Wytheville Community College*

Management Plan for Corrective Action for New River Community College:

The College is in the process of conducting a full inventory and resolving all discrepancies per CAPP Manual guidelines. The Procurement Officer will tag all incoming inventory and the end user will be contacted immediately to arrange for the equipment to be placed in service. The Director of Human Resources and Business Operations will review material monthly to ensure that all fixed assets are properly inventoried.

Responsible Party: Director of Human Resources and Business Operations

Completion Date: December 31, 2016

Management Plan for Corrective Action for Southwest Virginia Community College:

The College is in the process of completing the physical inventory and the fixed asset system will be fully reconciled to the physical inventory in accordance with state requirements. Controls will be implemented to support the proper recording of disposals, surplus assets, and tagging of assets.

Responsible Party: Vice President for Finance and Administration

Completion Date: November 18, 2016

Management Plan for Corrective Action for Wytheville Community College:

The College conducted rolling audits until all fixed assets were reconciled to AIS. Additionally, the College has implemented VCCS CAPP policies and processes to ensure the proper removal of assets and the continuous updating of location codes.

Responsible Parties: Interim Business Manager, Procurement Officer, and Inventory Technician

Completion Date: August 4, 2016

NEW RIVER COMMUNITY COLLEGE

Approve Revenue Journal Entries Timely

Management Plan for Corrective Action for New River Community College:

The College has implemented new policies and procedures to ensure that revenue journal entries are entered and posted within a three-day time frame. The Business Office Cashier has been given access to the instance numbers in order to generate the revenue summary report from SIS. This report will be used to enter the revenue journal entries on a daily basis. Once the revenue journal entries have been entered, the Director of Human Resources and Business Operations will be responsible for review and final posting.

Responsible Party: Director of Human Resources and Business Operations

Completion Date: June 30, 2016

Improve Documentation of myVRS Navigator Reconciliation Process

Management Plan for Corrective Action for New River Community College:

The College will maintain appropriate documentation to support the reconciliation between VNAV and the payroll system. Documentation will include PMIS Cancelled Records Report, VRS Automated Recon Reports, and other internal spreadsheets and documents to provide a comprehensive reconciliation between the snapshot and payroll system. Each report will note any exceptions and applicable corrective action. The Human Resources Manual will be updated to formally document the VNAV reconciliation process.

Responsible Party: Director of Human Resources and Business Operations

Completion Date: March 31, 2017

PATRICK HENRY COMMUNITY COLLEGE

Improve Financial Reporting for Accounts Receivables

Management Plan for Corrective Action for Patrick Henry Community College:

Management will improve documented policies and procedures for the calculation of the allowance for doubtful accounts and the write-off of uncollectible accounts.

Responsible Party: Business Manager

Completion Date: December 31, 2016

Retain Audit Support for Financial Statement Schedules

Management Plan for Corrective Action for Patrick Henry Community College:

Management will reinforce current policies and procedures and the Business Office will properly maintain all supporting calculations for financial statement schedules submitted to the VCCS System Office.

Responsible Party: Business Manager

Completion Date: June 30, 2017

SOUTHWEST VIRGINIA COMMUNITY COLLEGE

Ensure Proper Monitoring of Auxiliary Contracts

Management Plan for Corrective Action for Southwest Virginia Community College:

Monthly reports are now received from the bookstore vendor that provide the calculation of commissions due to the college along with the remittance advice for the electronic deposit of those funds. The payments are now made on a timely basis as a result of the monthly electronic transfer of funds.

The College has taken additional steps to comply with the Virginia Public Procurement Act and will issue a new Request for Proposal upon expiration of contract renewals. The College is currently working to secure a vending contract to cover the campus vending machines.

Responsible Party: Business Manager

Completion Date: October 1, 2016

VIRGINIA HIGHLANDS COMMUNITY COLLEGE

Improve Documentation of Policies and Procedures

Management Plan for Corrective Action for Virginia Highlands Community College:

Management agrees that documented policies and procedures are important in the application of internal controls and for continuity of operations. The Business Office Procedures Manual will be reviewed and updated. In addition, detailed written procedures will be developed for critical fiscal processes. The Business Office Procedures Manual has already been updated to include detailed written procedures for establishing an allowance for doubtful accounts.

Responsible Party: Finance Manager

Completion Date: Processes such as cashiering and financial statement preparation which will not be impacted by implementation of the VCCS Shared Services Center: April 30, 2017. Procurement, accounts payable and travel: in conjunction with SSC implementation and development of VCCS standardized processes.

WYTHEVILLE COMMUNITY COLLEGE

Perform VNAV Pre-Reconciliations

Management Plan for Corrective Action for Wytheville Community College:

Current processes were improved to meet the full requirements of CAPP Manual Topic Number 50410, VRS Retirement Reconciliation. The Director of Human Resources will now generate a PMIS report monthly with noted changes of new hires, terminations, or salary changes. Any differences identified when comparing VNAV and PMIS will be corrected and supporting documentation will be maintained. The reconciliation form between VNAV and PMIS will be completed and signed by the Director of Human Resources and reviewed and signed by the Payroll Officer. Documentation will be maintained and will include all changes, differences, VNAV snapshots, and monthly reconciliations.

Responsible Parties: Director of Human Resources and Payroll Officer

Completion Date: May 31, 2016

STUDENT FINANCIAL AID

Improve Compliance over Enrollment Reporting

*Applicable to: Blue Ridge Community College,
Central Virginia Community College
Germanna, Community College
John Tyler Community College
Mountain Empire Community College
Paul D. Camp Community College
Southwest Virginia Community College
Virginia Highlands Community College*

Management Plan for Corrective Action for Blue Ridge Community College:

The VCCS IT representative who acts as a liaison with National Student Clearinghouse is rewriting the enrollment extract that will correctly capture data for students who have “unofficially” withdrawn. Blue Ridge is communicating with National Student Clearinghouse to discuss the cross-term comparison issue. In the interim, the Financial Aid Office, Admission and Records, and Information Technology departments will collaborate to perform a manual cross-check of actual enrollment data to reported National Student Clearinghouse data no less frequently than every 60 days.

Responsible Party: Interim Vice President of Administration and Finance

Completion Date: April 1, 2016

Management Plan for Corrective Action for Central Virginia Community College:

The VCCS is working to enhance the unofficial withdrawal reporting process to NSLDS through the National Student Clearinghouse. Until a solution can be identified, the College will be completing reporting of unofficial withdrawals directly through the website interface.

Responsible Party: Dean of Enrollment Management

Completion Date: March 1, 2016

Management Plan for Corrective Action for Germanna Community College:

Procedures were improved to ensure the timely and accurate reporting of enrollment changes. NSLDS will be updated for unofficial withdrawals when an R2T4 is processed. VCCS will be adding logic to the custom National Student Clearinghouse

process to capture and report to NSLDS correctly. Verification of enrollment status, enrollment changes, and graduation data will be performed to ensure that students are reported properly.

Responsible Party: Director of Financial Aid

Completion Date: January 22, 2016

Management Plan for Corrective Action for John Tyler Community College:

John Tyler personnel will request a file to analyze after each reporting date with National Student Clearinghouse to make sure the data being reported is updated correctly. An additional reporting date has been added which will provide a report to National Student Clearinghouse every month within the semester. A data extract will be pulled from SIS and compared to information provided in NSLDS. Administration will continue to require faculty to report stopped attending forms in a timely manner. Administration will attempt to restrict the change of F and U grades that should be W's at the end of the term. The Registrar will manually update any student who graduates in a term that has not attended for 120 days since National Student Clearinghouse has indicated that they will not report this student to NSLDS with a graduate row. The College will collaborate with the VCCS IT to review the program that pulls data needed for the National Student Clearinghouse.

Responsible Parties: Vice President of Learning and Student Success/ Director of Admissions and Records

Completion Date: January 29, 2016

Management Plan for Corrective Action for Mountain Empire Community College:

The enrollment and graduate reporting process has been transitioned from the Computing and Information Technology Office to the Enrollment Services/Admissions and Financial Aid area. Enrollment Services has already started developing step-by-step instructions for submitting enrollment status, enrollment changes and graduation data and has designated employees responsible for submission and verification in both the National Student Clearinghouse and NSLDS.

Responsible Parties: Dean of Enrollment Services/Coordinator of Financial Aid/ Business Process Technologist

Completion Date: December 14, 2015

Management Plan for Corrective Action for Paul D. Camp Community College:

The required IT setups for the NSLDS upload will be reviewed, maintained and updated on a semester basis. The Admissions Department/Registrar will notify the Financial Aid Office when the upload has been completed. Both the College calendars for the Admissions Department/Registrar and the Financial Aid Office will be updated to ensure follow-up.

Responsible Parties: Registrar, Franklin Financial Aid Officer/ Suffolk Financial Aid Officer/Vice President of Academic and Student Services/Vice President of Administration and Technology.

Completion Date: January 12, 2016

Management Plan for Corrective Action for Southwest Virginia Community College:

The existing policies and procedures at SWVCC have been enhanced and the degree submission schedule has been revised to ensure compliance with federal requirements. The Information Technology Specialist will collaborate with the Registrar to ensure that graduation data is reported timely.

Responsible Party: Information Technology Specialist

Completion Date: January 13, 2016

Management Plan for Corrective Action for Virginia Highlands Community College:

Procedures have been enhanced to ensure enrollment changes are reported to NSLDS within the required timeframe. VCCS queries, rather than manual procedures, will be used to identify potential graduates for each term and to confer graduates. Graduate submissions will be completed within 30 days after the official degree conferral date on the academic calendar. Subsequent degree awards will be reported after degree confer date weekly until all graduates have been reported for the graduation term.

Responsible Party: Coordinator of Financial Aid

Completion Date: January 13, 2016

Improve Notification of Awards to Students

*Applicable to: Central Virginia Community College
Germanna Community College*

Management Plan for Corrective Action for Central Virginia Community College:

The College has expanded its partnership with Tidewater Community College to include the awarding of and the notification of student borrowers. This process will begin to be performed by Tidewater beginning spring 2016 and continuing thereafter.

Responsible Party: Dean of Enrollment Management

Completion Date: January 11, 2016

Management Plan for Corrective Action for Germanna Community College:

The College will create a communication item in PeopleSoft to document and inform students of the rights, options, and loan requirements prior to loan disbursements by the Financial Aid Office to the student account.

Responsible Party: Director of Financial Aid

Completion Date: January 29, 2016

Improve Reporting to the Common Origination and Disbursement System (COD)

*Applicable to: Paul D. Camp Community College
Virginia Highlands Community College*

Management Plan for Corrective Action for Paul D. Camp Community College:

Paul D. Camp will devote the resources and time required to follow existing policies and procedures as related to updating COD files. Files will be updated on a weekly basis throughout the academic year. The Franklin and Suffolk Financial Aid Officers will meet at the end of each semester with the Vice President of Administration and Technology to review the updates and share any challenges encountered.

Responsible Parties: Franklin Financial Aid Officer/Suffolk Financial Aid Officer/Vice President of Administration and Technology.

Completion Date: January 18, 2016

Management Plan for Corrective Action for Virginia Highlands Community College:

Virginia Highlands personnel will report all disbursements and subsequent adjustments within federal requirements. Policies and procedures have been updated to reflect that communication to update COD will occur both verbally and followed by an email to ensure compliance with federal regulations.

Responsible Party: Coordinator of Financial Aid

Completion Date: January 13, 2016

Perform and Document Monthly Reconciliations of Direct Loans

*Applicable to: Central Virginia Community College
Germanna Community College*

Management Plan for Corrective Action for Central Virginia Community College:

The College will be hiring a Coordinator of Financial Aid that will be responsible for performing reconciliations. Under his or her guidance, proper training will be conducted for this business function. The Coordinator of Financial Aid will be communicating on a monthly basis to the Dean of Enrollment Management.

Responsible Party: Dean of Enrollment Management

Completion Date: March 1, 2016

Management Plan for Corrective Action for Germanna Community College:

Financial Aid personnel will perform a comprehensive review of the reconciliation requirements. The reconciliation will be performed monthly and an audit trail will be retained. Procedures will be documented to detail the reconciliation between the Business Office and the Financial Aid Office.

Responsible Parties: Director of Financial Aid/Director of Finance

Completion Date: April 1, 2016

Properly Process Return of Title IV Calculations

*Applicable to: Central Virginia Community College,
Germanna Community College,
J. Sargeant Reynolds Community College,*

Management Plan for Corrective Action for Central Virginia Community College:

The College will be hiring a new Coordinator of Financial Aid that will work closely with the employee completing the R2T4 transactions to ensure that calculations are being completed in accordance with federal regulations. Enhanced staffing will provide for management and oversight of areas of responsibility. Duties will be divided between all of the full and part-time employees in the office. This will allow for proper separation of duties and prevent one person from performing all of the compliant sensitive activities within the office.

Responsible Party: Dean of Enrollment Management

Completion Date: July 1, 2016

Management Plan for Corrective Action for Germanna Community College:

The Financial Aid Office will process students included on the R2T4 report on a weekly basis. A recurring reminder will be established to check on the prior semester for any grade changes that would cause the student to show late on the R2T4 list. A spreadsheet was created to track students as a secondary level of review to ensure that calculations are accurate. The calendar that is loaded in PeopleSoft is also reviewed and Sundays are now included in the calendar when calculating holiday breaks.

Responsible Party: Director of Financial Aid

Completion Date: January 26, 2016

Management Plan for Corrective Action for J Sargeant Reynolds Community College:

The delay in returning unearned Title IV funds was identified by the R2T4 Specialist and was the result of the loan disbursement records being rejected by COD. The R2T4 Specialist will begin reviewing each student in COD after the updated disbursement records have been sent. The Director of Financial Aid will review each R2T4 report once it is completed by the R2T4 Specialist to ensure that all students have been processed and the calculations are accurate.

Responsible Party: Director of Financial Aid

Completion Date: March 31, 2016

Reconcile Federal Fund Accounts

*Applicable to: Central Virginia Community College
John Tyler Community College*

Management Plan for Corrective Action for Central Virginia Community College:

A monthly reconciliation of each Title IV program and general ledger control account will be maintained. The College will dedicate the necessary resources to properly complete and document the reconciliation between the G5 activity reports and the internal accounting records. A new accounting position will be created to ensure the reconciliation process occurs accurately and on a monthly basis. The new accounting position will coordinate with Financial Aid and the Business Office personnel to ensure accurate checks and balances are in place.

Responsible Party: Business Manager

Completion Date: June 1, 2016

Management Plan for Corrective Action for John Tyler Community College:

John Tyler has established and enacted a plan of action. A monthly reconciliation of each Title IV program, AIS general ledger account and SIS accounts will be maintained. The College will complete and document the reconciliation between the G5 activity reports and the internal accounting records. Coordination is in place with Financial Aid and the Business Office personnel to ensure accurate checks and balances are in place.

Responsible Party: Associate Vice President of Finance Services

Completion Date: December 31, 2015

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