



VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, and issued our report thereon, dated July 14, 2020. 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 federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs at Blue Ridge Community College. We performed on-site testing in support of this college's reaffirmation of accreditation. In relation to this testing, we issued one finding numbered and titled "2019-20: Improve Enrollment Reporting Process" within the "Internal Control and Compliance Findings" section of this report.

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Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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July 14, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

TRANSMITTAL LETTER

For fiscal year 2019, we audited the financial statements of the **Virginia Community College System** (System). We also audited Federal Student Financial Assistance in support of Blue Ridge Community College providing reaffirmation of its accreditation. To meet these objectives, we performed testing on-site at seven colleges, the Virginia Community College System Office (System Office) and the Shared Services Center (Shared Services). While the findings in this report cannot be extrapolated to all community colleges (colleges), we believe that some of the issues within this report indicate where the System Office, Internal Audit, Shared Services, and the colleges can collaborate to make enhancements and reduce the risk to the System in the future.

We have detailed 33 management recommendations in this report below and grouped the recommendations into six topical areas. While the 33 recommendations are less than last year's 80 recommendations, this year's audit did not include an audit of the Federal Student Financial Assistance program in support of the Commonwealth's Single Audit, which would have required more testing. For this reason, the fact that we do not issue an opinion on internal controls, and annually we change the colleges subject to testing based on risk, we do not suggest comparing the raw number of recommendations from one year to another to conclude on the overall health of internal controls for the System. However, we support management completing its own analysis of this year's recommendations to determine where there is an indication that there could be a benefit in the System Office taking a system-wide approach to correct and ameliorate the issues.

Our analysis of this year's recommendations indicates that some of the colleges are having challenges with managing system access, mainly with deactivating a user's access to systems in a timely manner upon the employee's termination from the college. Recommendations related to deactivating a user's access are assigned the topic of access control or human resources and payroll. If we found that college was having other challenges with terminated employees beyond access, we

assigned the recommendation the topic of human resources and payroll. Otherwise, the recommendation was assigned the topic of access control.

The topics identified above are not the only areas where we offer recommendations, as we also reported multiple recommendations in the areas of general accounting, capital assets, procurement/contract management, and information system security.

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

AUDITOR OF PUBLIC ACCOUNTS

GDS/vks

INTERNAL CONTROL AND COMPLIANCE FINDINGS

Findings are grouped by the System Office, Shared Services, and individual colleges. System Office and Shared Services, are listed first and second, respectively, because of the leadership and involvement each provide for financial operations at the colleges. Then the colleges are listed in order based on their relative financial size as follows:

- Northern Virginia Community College (Northern Virginia)
- Tidewater Community College (Tidewater)
- John Tyler Community College (John Tyler)
- Blue Ridge Community College (Blue Ridge)
- Danville Community College (Danville)
- Wytheville Community College (Wytheville)
- Dabney S. Lancaster Community College (Dabney Lancaster)

To aid in the understanding of current and prior findings, there are three appendices to this report related to findings. The first two appendices contain lists of the current year findings within this report. The first appendix lists the findings in the order they appear in this report and the second appendix groups the findings by their respective topic. The third appendix provides the status of 2015-2018 findings that were not resolved prior to 2019. The prior findings in the third appendix have a follow-up disposition of either resolved, deferred to future audits, or issued as a repeat finding.

SYSTEM OFFICE

2019-01: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition

Topic: General Accounting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System's colleges are not consistent in their handling of the amounts resulting from each of their individually negotiated "reimbursement rates" for dual enrollment tuition. Some individual colleges are accepting funds from local education agencies and returning the funds to local education agencies as a result of the reimbursement rate, and other colleges apply the reimbursement rate as a discount to the dual enrollment tuition so that the local education agency never has to provide the funding to the college and wait for its return. Additionally, individual colleges are recording accounting transactions resulting from their dual enrollment programs using different methods that impact financial reporting.

Each college may enter into agreements with their surrounding local education agencies for the college to award college level credits to high school students, which is known as dual enrollment. Some dual enrollment students receive their college level instruction by college professors at the local college, while others receive their college level instruction by high school instructors in the local education agency's facilities. Regardless of the instruction method, the college is required to charge the same

tuition rate for each student; however, in the case of dual enrollment students receiving instructions by high school instructors in the local education agency's facilities, the college is allowed to establish their own "reimbursement rate" in recognition of the local education agency's contribution of resources for these dual enrollment students. In some cases, the reimbursement rate is used as a discount to decrease the amount of the dual enrollment tuition the local education agency is required to pay the college. In other cases, the agreement is structured so that the local education agency has to pay the amount that is associated with the reimbursement rate to the college and then the college returns the funds back to the local education agency. Some negotiated reimbursement rates equal 100 percent of the dual enrollment tuition amount, and in other cases, the percentage is less.

While each agreement will result in different reimbursement rates for the dual enrollment tuition amount that is returned to the local education agency or applied as a discount, in substance each agreement creates the same underlying transaction between the parties involved and the governance structure for the dual enrollment activity. The underlying transaction is that there is a high school instructor that is sponsored by the college and the college has corresponding revenues and expenses associated with their sponsoring activity; however, in some cases the college is not collecting the discount amount, while other colleges are accepting and returning the funds, and uses one of the following three different methods for recording and reporting their transactions:

- record dual enrollment tuition as revenue and the return of funds to the local education agency as instruction expenses so that both are separated for financial reporting;
- record dual enrollment tuition as revenue and use a contra-revenue account to record the return of funds to the local education agency so that both are netted for financial reporting; or
- record dual enrollment tuition as a credit to revenue and the return of funds to the local education agency as a debit to revenue so that both result in reporting zero activity.

Depending on the method used by the college, the transactions may or not be disclosed on the face of the financial statements; however, the assets, liabilities, and net position for the System are not impacted. Nonetheless, to provide a magnitude of dual enrollment, according to a 2017 Joint Legislative Audit and Review Commission study on the System, in the fall of 2016, more than 33,000 high school students were dual enrolled, with a majority of dual enrollment courses being taught in high school classrooms by high school instructors.

The Governmental Accounting Standards Board (GASB) Concept Statement No. 1, Objectives of Financial Reporting, outlines financial statement preparation concepts for state and local governments. GASB includes the following characteristics basic to financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability. Comparability implies that differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices. Financial reporting should help users make comparisons among governments, for example, comparisons of the costs of specific functions or components of revenue. In other words, dual

enrollment transactions should be recorded similarly across the entire System so that the resulting financial reporting provides transparency and is comparable across the entire system.

When colleges are not consistent in their handling of dual enrollment transactions, it limits the System's ability to establish uniform operating procedures for these financial activities and increases the administrative costs for the colleges that accept and return funds. Additionally, when the same programmatic activity is accounted for using different methods, there can be an issue when comparing revenues and expenses in the financial reports of the individual colleges. Management will have a difficult time making budgetary and policy decisions when information for the same program is not presented consistently. Additionally, when similar activity is reported inconsistently across the System, the resulting financial reporting could be misleading to a user of the financial statements when making decisions.

In fiscal year 2019, the System Office recognized that the colleges account for dual enrollment transactions using different methods, and instructed the colleges to use two specific revenue accounts for their dual enrollment activity: one for tuition received from dual enrollment students and a contra-revenue account for all payments made to local education agencies. Only eight colleges out of the 23 followed the System Office instructions, while most of the remaining colleges recorded the disbursements as expenses, resulting in a lack of consistency and comparability in tuition and fees.

The System Office, in its management role, should exert its influence on the colleges and work with the colleges' vice-presidents of finance and business office managers to determine if future agreements with local educational agencies should call for the consistent handling of the amounts resulting from each agreement's individually negotiated reimbursement rates. Additionally, the System Office should ensure that dual enrollment activity is accounted for consistently across the System and that the accounting method used allows for the application of budgetary controls and meets the needs of decision makers to evaluate the dual enrollment program. The System should also update policies and procedures to ensure that each college is aware of expectations and can be held accountable as needed.

2019-02: Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting

Topic: General Accounting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

With the implementation of Shared Services, the System Office relies on each college and Shared Services providing it with accurate information to aid in the preparation of the financial statements. For fiscal year 2019, we found that financial information submitted by the colleges to the System Office that was used in preparation of the financial statements did not include required information. Specifically, some prepaid expenses paid by Shared Services on the colleges' behalf were not included. Additionally,

Shared Services did not consistently track certain information related to advance payments such as payment date, description of prepayment, or prepayment term.

Management for the System Office is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement in accordance with generally accepted accounting principles. Additionally, in accordance with generally accepted accounting principles, accrual accounting requires expenses to be charged to the fiscal year and period in which goods are received or services are performed. Specifically related to what we found for fiscal year 2019, a prepaid expense is an expense paid for in one accounting period, but for which the underlying asset will not be consumed until a future period.

Inaccurate information submitted to the System Office may increase the risk of misstatement on the financial statements. Inaccurate financial information can affect long-term planning and the decisions of those individuals or institutions that rely on such information. More financial services are transitioning to Shared Services and Shared Services has paid over \$5.7 million in potential prepaid expenses within fiscal year 2020 so far; therefore, the potential for a material misstatement exists for fiscal year 2020.

The System Office has not updated some of its financial statement preparation instructions for colleges and Shared Services as new services transition to Shared Services. As a result, the System Office did not have procedures in place to ensure sufficient communications between Shared Services and the colleges in order to support the completeness of prepaid expenses submitted to the System Office for financial statement preparation.

As services transition to Shared Services, the System Office should update instructions for financial statement schedules submitted by the colleges and Shared Services to ensure accurate information is provided for financial statement preparation. Additionally, the System Office should collaborate with Shared Services and the colleges to encourage communication between Shared Services and the colleges when preparing and submitting state schedules to the System Office, so that information provided is correctly analyzed and included accurately in the financial statements. Finally, Shared Services should ensure it properly captures the information needed for financial reporting for the services it provides and maintains an adequate audit trail supporting the amounts reported to the System Office.

2019-03: Accurately Report Intra-Commonwealth Transfers of Capital Assets

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

During fiscal year 2019, System Office personnel in collaboration with Dabney Lancaster personnel did not properly report the transfer of a National Guard Armory building from the Virginia

Department of Military Affairs (Military Affairs). We noted the following facts related to this capital asset transfer:

- The representative of Military Affairs signed the inter-agency transfer agreement on March 28, 2018. The System's Chancellor signed the same agreement on April 16, 2018. Effective April 30th of fiscal year 2018, ownership of the property was transferred to the Commonwealth of Virginia, State Board of Community College for Dabney Lancaster and was no longer under the ownership of Military Affairs. Dabney Lancaster and the System Office did not record the transaction for financial reporting until fiscal year 2019.
- The System Office recorded the building at \$3,480,000 based on a fair market value assessment at the time of the transfer and did not consider that Military Affairs, another Commonwealth entity, had the building recorded at \$3,048,062 with accumulated depreciation of \$1,675,347 at the time of the transfer. As a result, the System Office overstated the book value of the building by \$2,314,385.
- Additionally, the System Office recorded land from the transfer that Dabney Lancaster already owned. The System Office overstated the land amount by \$207,100.

GASB Standard 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, paragraph 15, requires that asset transfers among entities of the same financial reporting entity should be recorded at the book value of the transferring entity. To implement this reporting requirement, the Virginia Department of Accounts' (Accounts) Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30205 requires that assets transferred between state agencies to be treated as a related party transaction.

Improper valuation of inter-agency transfer transactions can result in misstatements to the financial statements. When transactions are not properly recorded, capital asset balances can be misstated, and current and future depreciation expenses can be inaccurate. Improper recordation of capital assets could also potentially result in double-counting of assets and/or overstatement of capital assets in the Commonwealth's Comprehensive Annual Financial Report due to both agencies having assets on their respective books simultaneously.

Dabney Lancaster staff and subsequently, System Office real estate services' staff, did not report the transfer timely to the proper System Office management. The System Office then did not assess the transaction correctly, and recorded the transaction as a gift, and assigned the incorrect fiscal year to the transaction, even when the documentation supported the transaction occurring in fiscal year 2018.

The System Office and Dabney Lancaster should create procedures for monitoring capital asset transfers to ensure that real estate service's staff alert financial reporting staff timely of transfers, gifts, and any future acquisitions. Management for the System Office should ensure that policies and procedures provide for reporting transfers in the correct fiscal year and that transfers or gifts are given the appropriate value, based on the nature of the transaction. Dabney Lancaster should ensure that its staff notify the System Office timely of any transfers or gifts from component units, or other

Commonwealth agencies timely, to ensure proper recordation of the transaction to support the financial statement preparation performed by the System Office.

2019-04: Develop Reference Tools for the Student System

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Partial (first issued for fiscal year 2018 as 2018-01)

Prior Title: Encourage Community Colleges and the Shared Services Center to Control System Access

Since the last audit, the System Office has developed reference tools for the administrative system to aid management for the individual colleges to establish appropriate roles and define potential conflicts for assigned system roles to minimize separation of duties issues; however, there are currently no comparable reference tools addressing the access roles, and potential conflicts of those roles, for the student system.

The System adopted information security standard, International Standards Organization (ISO) 27002:2013 (System's Security Standard), section 6.1.2 – Segregation of Duties, states conflicting duties and areas of responsibility should be segregated to reduce opportunities for unauthorized or unintentional modification or misuse of the organization's assets. Additionally, the System's Security Standard, section 9.2.3, states that privileges will be allocated to users on a need-to-use basis and on an event-by-event basis, based on the minimum requirements for staff's functional roles.

Allowing excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data. When access granted violates separation of duties, there is an increased risk that users will exploit the weakness and perform unauthorized transactions.

The System Office should develop reference tools for the student system to provide guidance to management of the colleges on identified student system access role conflicts, and to guide the design and implementation of compensating controls for access to the student system. The System Office should continue to educate and monitor operations to ensure the colleges align employee access with employee work profile responsibilities to maintain least privilege and adequate separation of duties, and to eliminate conflicting or unnecessary access.

2019-05: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

Topic: Procurement/Contract Management

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The System Office does not have written procedures for reviewing third-party service providers' system and organization controls (SOC) reports and for reacting to the reports by ensuring related

complimentary user entity controls (complimentary controls) are designed and implemented by each of the colleges using the services. The System Office was not able to provide documentation indicating that anyone reviewed the SOC reports. In addition, the System Office could not provide documentation describing the actions each community college took to ensure the proper implementation and design of complimentary controls.

The System's Security Standard, section 15.2.1, states that in the case of outsourcing, the System Office and colleges need to be aware that the ultimate responsibility for information processed by an outsourcing party remains with the System or the college. Additionally, the System's Security Standard defines the actions, which includes establishment of regular reviews of third-party services reports, the System or the colleges will take to ensure that third parties comply with the security controls defined within the agreement. Additionally, Accounts' CAPP Manual Topic 10305 requires agencies to have adequate interaction with the provider to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over the provider to gain assurance over outsourced operations.

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

The System Office obtains SOC reports each year and has the Controller or the Assistant Controller review the reports; however, the System Office has not devoted sufficient resources to develop and document written policies and procedures for the review of the SOC reports. In addition, there are no written policies or procedures describing the required actions to ensure that complimentary controls are properly designed and implemented as necessary.

The System Office should dedicate the necessary resources to develop written procedures to document and ensure sufficient review of SOC reports and to indicate the degree of responsibility for reacting to the contents of the SOC reports, which may include designing and implementing of complimentary controls by System Office, the colleges, and/or Shared Services, as necessary. The System Office should ensure that management for all of the colleges and Shared Services understands the importance of reacting, through the design and implementation of complimentary controls, sufficient to support the reliance placed on the service entity's internal control environment in accordance with CAPP Manual requirements.

2019-06: Improve Operating System Security**Topic:** Information System Security**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

The System Office does not use eight out of 68 (12%) required or recommended security controls in the operating system supporting a sensitive system. These controls are required by the System Office's information security policy (Security Policy) and the System's Security Standard or recommended by the Center for Internet Security Benchmarks.

We communicated the control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia as it contains descriptions of security mechanisms used to configure the operating system. Use of inadequate security controls increases the risk that the System Office cannot prevent, detect, or mitigate security incidents involving the operating system in a timely manner.

The System Office should implement sufficient security controls over its operating system as required by the its Security Policy and the System's Security Standard or recommended by best practices. Implementing these security controls will improve the information security and reduce the risks to the System Office's sensitive and financial data.

2019-07: Continue to Improve Web Application Security**Topic:** Information System Security**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2018 as 2018-03)**Prior Title:** Improve Web Application Security

The System Office is making progress in its plan to upgrade an application to allow for stricter security controls. Due to the age of the current application version, the System Office cannot implement certain stricter security controls that meet with the minimum requirements of the System's Security Standard.

We communicated the control weakness to management in a separate document marked FOIAE under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the documentation and implementation of certain controls that reduce unnecessary risk to the confidentiality integrity and availability of the System's information systems and data.

The System Office should continue to implement its plan to mitigate the risk with the controls discussed in the communication marked FOIAE in accordance with the Security Standard in a timely manner. Doing this will help to ensure the System Office secures the web application to protect its sensitive and mission critical data.

2019-08: Continue to Complete a Risk Assessment for Each Sensitive System**Topic:** Information System Security**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2017 as 2017-08 and again for fiscal year 2018 as 2018-04)**Prior Title:** Continue to Complete a Risk Assessment for Each Sensitive System

The System Office continues making progress to complete risk assessments for all sensitive systems in accordance with its Security Policy and the System's Security Standard. The System Office is completing risk assessments based on each information technology (IT) systems' complexity and sensitivity, with the most complex and sensitive systems completed first. Fifteen of the 28 (54%) total risk assessments are complete and in various stages of review and approval. The System Office indicates it is on-track to complete the remaining 13 risk assessments by the end of the 2020 calendar year.

The Security Policy requires the System Office to conduct risk assessments for sensitive information assets on at least an annual basis (*Security Policy section: 4.2 Assessing Security Risks*). Additionally, the Security Standard requires the System Office to conduct risk assessments to identify threats, vulnerabilities, likelihood of occurrences, and potential impacts (*Security Standard section: 0.2 Information Security Requirements*).

Without a complete risk assessment for each sensitive system, the System Office increases the risk it will not identify and mitigate existing vulnerabilities or implement compensating controls for any identified weaknesses. The result is a potential weakened security posture of the System Office's IT environment. The System Office experienced delays completing the risk assessments due to a loss in personnel and other higher priority projects.

The System Office should continue to complete and approve the risk assessments for each sensitive system. Further, the System Office should plan to allocate the necessary resources to review and update the risk assessment for each sensitive system after it undergoes any significant change or on an annual basis, whichever comes first.

SHARED SERVICES CENTER

2019-09: Continue to Address System Access Issues and Implement Additional Controls**Topic:** Access Control**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2018 as 2018-06)**Prior Title:** Perform a Proper Evaluation and Analysis of System Access Levels

Shared Services has not performed an evaluation of the access levels within the administrative system. Additionally, for this same system, Shared Services has not documented compensating controls for the employees who have access, which does not enforce separation of duties. Shared Services' management granted access with separation of duties conflicts to 12 employees. Shared Services did

not have documentation of the compensating controls for allowing these employees to enter and approve accounting transactions. Finally, Shared Services did not make a timely request to Accounts to remove access to the Commonwealth's accounting and financial reporting system for one of three (33%) terminated employees. Shared Services sent the removal request nine days after the employee's termination date.

The System's Security Standard, section 9.2.5 – Review of User Access Rights, states user access rights will be reviewed at regular intervals, at least annually. Security Standard, section 9.2.3 – Management of Privileged Access Rights, states the principle of least privilege must be used in the assignment of security roles and responsibilities. Additionally, section 9.2.3 states that privileges will be allocated to users on a need-to-use basis and on an event-by-event basis, based on the minimum requirements for their functional role. System's Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, advises Shared Services to disable information system access upon termination of an employee's employment, which is the date that an employee is terminated from the System's human resource system, and in cases where evaluation of risk of access indicates the removal from systems access may be deemed necessary for certain employees prior to termination, such as for periods of inactivity.

By not performing a review of each user's access, the risk increases that users will have inappropriate access to functions within the system. Without system access that enforces proper separation of duties, management is unable to prevent users from entering and approving their own transactions. Additionally, in an environment where there are no compensating controls, there is an increased risk that management will not detect if the weakness in access was exploited for fraud or resulted in an error. Finally, delaying the removal of all access privileges increases the risk that terminated employees will have unauthorized access to Commonwealth systems and sensitive information.

Due to turnover and the implementation of the new administrative system upgrade project for the entire System, Shared Services did not perform the required annual review over the system or properly document the potential separation of duties issues. Shared Services management has since started working to document and review systems access. Shared Services has been working on improving its internal controls to ensure terminated users' access is removed timely from the Commonwealth's accounting and financial reporting system; however, it was not able to fully implement the updated process in fiscal year 2019.

Shared Services management should document and perform an annual review of systems access and update documentation and procedures as needed. Additionally, Shared Services' management should assign individual access based on the principle of least privilege, document any cases where any potential separation of duties' issues exists, and ensure compensating controls are implemented as needed to ensure adequate oversight and review of transactions performed by staff. Shared Services should continue implementing updated controls to ensure timely access removal from all sensitive systems for terminated employees.

NORTHERN VIRGINIA COMMUNITY COLLEGE

2019-10: Ensure Contracts for Adjunct Employees Are Retained

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia is not consistently retaining contracts for adjunct employees. Management could not produce nine out of 34 (26%) of the signed contracts for the ten adjunct employees randomly tested. CAPP Manual Topic 21005 authorizes the Library of Virginia to establish minimum records retention periods for agency documents. The Library of Virginia's General Schedule No. GS-102 sets the minimum retention period for any agency contract at 5 years.

Without proper file maintenance and record retention, management cannot ensure that employee compensation is in accordance with the contracted rate. In the event of contract disputes, contract retention is essential to protect the interests of Northern Virginia and adjunct employees, as well.

Management has made contract retention the responsibility of the individual departments as Northern Virginia transitions to a central, digital document storage system. The individual departments did not retain the contracts determined to be missing and, in some cases, the department employees stated they were unaware of where their predecessor stored the contracts.

Northern Virginia management should ensure that contracts for adjunct employees are being retained by appropriate staff. Northern Virginia should also train staff to understand the retention policies governing Commonwealth related documents and to ensure department supervisors enforce compliance with the requirements.

2019-11: Continue to Improve and Implement Effective Exit Procedures for Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2017 as 2017-46 and again for 2018 as 2018-40)

Prior Title: Implement Effective Exit Procedures for Adjunct Faculty and Wage Employees

Northern Virginia is not consistently collecting agency property, retrieving security badges, or deactivating systems access timely for terminated employees of all types, including salary, wage, work study, and adjunct employees. Northern Virginia did not document the collection of property and security badges for five out of the 23 (22%) terminated employees randomly tested and did not remove system access for four out of the 23 (17%) within 3 days of their termination as required.

Accounts' CAPP Manual Topic 50320 – Terminations recommends that agencies develop a termination check-off list to complete as a part of the termination process. In addition, the System's

Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, advises the community college to disable information system access upon employment termination. Section 9.2.6 defines access rights that should be removed to include: physical and logical access, keys, identification cards, information systems and data, subscriptions, and removal from any documentation that identifies them as a current member of the community college. By not removing access in a timely manner or retaining documentation that Commonwealth property was returned, Northern Virginia is increasing the risk that terminated employees may retain physical access to Commonwealth property and unauthorized access to state systems and sensitive information.

Northern Virginia policies hold supervisors responsible for collecting property and badges at the time of employee termination. Additionally, Northern Virginia is in the process of implementing an automated system that will send email reminders to supervisors about collecting property and badges. System access removal responsibility is shared between the supervisors and the IT department. When a supervisor becomes aware an employee will not be returning to work, they are to notify the IT department that system access needs to be removed. The IT department is responsible for removing the terminated employee's system access after receiving notification from the supervisor. Supervisors were responsible for 75 percent of late system access removals by not sending removal requests to the IT department in a timely manner.

Northern Virginia management should ensure that supervisors notify the IT department and collect property and badges for all terminated employees in a timely manner. Human resources for Northern Virginia should verify termination documentation is completed and follow up on any missing documentation to ensure the safeguarding of Commonwealth property and access to systems.

2019-12: Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2017 as 2017-45 and again for fiscal year 2018 as 2018-36)

Prior Title: Follow Commonwealth Requirements for the Stewardship of Fixed Assets

While Northern Virginia has developed policies and procedures in response to the prior year management recommendation over capital assets, the new policies were not effective until January 2020. Additionally, the first full asset inventory under the new policies and procedures was performed between February 1, 2020, and April 30, 2020. As a result of timing differences between Northern Virginia's implementation of its corrective actions to address the items in the prior audit finding titled "Follow Commonwealth Requirements for Stewardship of Fixed Assets" and the mutually agreed to schedule for testing to meet the annual audit requirement, we deferred evaluating if the corrective actions of Northern Virginia achieved the desired results, as required by the policy statement in CAPP Manual Topic 10205, until the next financial audit of the System.

2019-13: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

Topic: Procurement/Contract Management

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Northern Virginia is not reviewing SOC reports for its third-party service providers or ensuring that it has implemented effective complimentary controls. Specifically, Northern Virginia did not obtain a SOC report, nor document its complimentary controls for the third-party service provider that maintains its Perkins Loan database and handles all of the billing for Perkins Loans, for which Northern Virginia had a \$1,763,061 balance at the end of fiscal year 2019. Further, Northern Virginia obtained the 2019 SOC report for the third-party service provider of information technology support for the collection of parking revenues; however, Northern Virginia did not have any evidence that it reviewed and evaluated the SOC report, nor that it has implemented complimentary controls over parking revenues. Northern Virginia reported \$6,097,450 in parking revenues for fiscal year 2019.

The System's Security Standard, section 15.2.1, states that in the case of outsourcing, the System Office and colleges need to be aware that the ultimate responsibility for information processed by an outsourcing party remains with the System or the college. Additionally, the System's Security Standard defines the actions, which includes establishment of regular reviews of third-party services reports, the System or the colleges will take to ensure that third parties comply with the security controls defined within the agreement. Additionally, Accounts' CAPP Manual Topic 10305 requires agencies to have adequate interaction with the provider to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over the provider to gain assurance over outsourced operations.

Without reviewing SOC reports, Northern Virginia is unable to take an appropriate response to address any internal control deficiencies and/or exceptions noted in the report. Also, without ensuring that its complimentary controls are sufficient to support their reliance on service providers', Northern Virginia may unknowingly be increasing its risk of non-compliance with federal Perkins Loan requirements or that its financial records will contain errors from the service provider.

Northern Virginia does not have any procedures related to SOC reports or complementary controls, which is why it only obtained SOC reports from one of its providers. While Northern Virginia asserted that its staff reviewed the SOC reports, it did not have written evidence of their review of the reports or the resulting conclusions. Additionally, Northern Virginia had no documentation providing evidence that it is documenting, implementing, or monitoring its complimentary controls over its third-party service providers.

Northern Virginia should create and implement procedures that comply with the requirements outlined in the System's Security Standard and the CAPP Manual. At a minimum, the policies and procedures should require SOC report reviews which document the conclusions and actions taken as result of the contents of the SOC report. Additionally, these procedures should include documentation

requirements for complimentary controls, the steps needed to address internal control deficiencies and/or exceptions found in reviews, and responsible staff for corrective actions necessary to mitigate the risk to the Commonwealth until the provider corrects the deficiency.

TIDEWATER COMMUNITY COLLEGE

2019-14: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Partial (first issued for 2018 as 2018-60)

Prior Title: Strengthen Interdepartmental Communications Related to Terminated Employees

Tidewater did not consistently accomplish its procedures for wage employees that terminated employment with the college. Tidewater did not terminate the employee's access to the student information system for six out of 25 (24%) employees sampled, with removal dates ranging from 24 to 272 calendar days after termination.

The System's Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. According to Tidewater Policy 5201 – Access to Information Systems Containing Sensitive Data Policy, access should be removed within five business days from the date the employee is terminated. Tidewater's procedure, established by its human resources department (human resources), requires supervisors to submit the termination form within three days from the employee's last day of employment.

By not removing access in a timely manner, Tidewater is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to systems can expose the college to inappropriate activity by individuals no longer employed by the institution. Communication between supervisors of several departments to human resources appears to be a challenge, resulting in a lack of timely notification of employees' terminations to human resources.

Tidewater should continue to strengthen communications between department supervisors and human resources so that the employee termination form is completed accurately and timely to ensure all access is removed. Management has taken some action by sending agency-wide communication to supervisors about submitting timely termination notification and has added a responsibility to the supervisor's job description to ensure that the employee termination information is submitted timely. Additionally, management should ensure that human resources monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training as necessary.

JOHN TYLER COMMUNITY COLLEGE

2019-15: Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

John Tyler did not record certain capital assets in the System's administrative system during fiscal years 2018 and 2019, resulting in a possible understatement of John Tyler's equipment assets by \$1.15 million. John Tyler has also not reconciled inventory listings to the System's administrative system during that time, as staff have not maintained the inventory listings. John Tyler recorded equipment trust fund and federal assets during that timeframe, but only at year-end or on specific dates, resulting in those assets not being recorded for significant periods of time. Additionally, John Tyler has not completed a full inventory of capital assets in over two years.

The System's Capital Assets Policies and Procedures Manual and CAPP Manual Topic 30505, require colleges to perform a physical inventory of fixed assets at least once every two years in order to properly safeguard assets and maintain fiscal accountability, and reconcile the fixed asset system to the accounting system to ensure completeness. Insufficient inventory of John Tyler's physical assets increases the risk of misappropriation of college property and may contribute to the inclusion of inaccurate information in the administrative system and financial statements. A proper and effective inventory should result in an accurate accounting of equipment and indicates the reliability of the system of control for acquiring, using, and disposing of equipment.

The primary cause for the deficiencies was turnover in facilities staff who performed these duties previously. Subsequently, business office staff did not reconcile the administrative system to the inventory listings because the listings had not been properly maintained.

John Tyler should perform a complete inventory of capital and controllable assets, ensure that all expenses for potential capital assets in the administrative system are analyzed and capitalized appropriately, reconcile the inventory to the administrative system, and convey this information to the System Office timely so that fiscal year 2020 equipment balances can be corrected for the omissions from fiscal years 2018 and 2019. Additionally, John Tyler management should ensure that sufficient resources are allocated to perform inventories in compliance with System and CAPP Manual requirements. John Tyler should also create policies and procedures over the inventory process, capital asset recordation, and the reconciliation of inventory to the System's administrative system.

2019-16: Perform Adequate Bank Reconciliations and Report Bank Balances Accurately**Topic:** General Accounting**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

John Tyler did not properly report the year-end balances for some of its bank accounts to the System Office for financial reporting. John Tyler incorrectly reported the year-end balances for three of its five (60%) bank accounts, resulting in an understatement of \$782,858.

The System's Policy Manual, section 4.2.2 (a), states that all activity for local and agency funds shall be accounted for within the System's accounting system. Without accurate bank reconciliations and procedures, there is an increased risk of not detecting errors or issues with bank balances held locally, which could misstate the financial position of John Tyler. A proper reconciliation assures that management can make informed budgetary decisions with confidence, and effective procedures will allow John Tyler's accounting department to be held responsible for the proper reporting of bank balances.

John Tyler utilizes demand accounts that gather interest daily and transfer funds back to the main bank account at the end of the day. However, John Tyler's accounting department does not have effective procedures to account for the demand and main account transfers, which resulted in the error.

John Tyler should develop policies and procedures for bank reconciliations in accordance with best practices. Additionally, John Tyler should also ensure it properly reports all bank accounts on financial statement schedules to accurately support the preparation of the System's financial statements.

2019-17: Properly Document Discrepancies and Adhere to Policies Regarding Federal Aid Reconciliations**Topic:** General Accounting**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

John Tyler did not properly document and investigate discrepancies found when performing federal aid monthly reconciliations. John Tyler did not document the preparer and reviewer, nor the date of review, for all three of the reconciliations sampled for testing. Additionally, supporting documentation showed that John Tyler did not adhere to its internal policy for reconciliation of financial aid award accounts, as it did not properly identify and document the reasons for the discrepancies.

In accordance with 34 C.F.R. § 674.19(d), "an institution shall establish and maintain program and fiscal records that are reconciled at least monthly." The Student Financial Aid Handbook issued by the U.S. Department of Education further details that the institution should identify any discrepancies and take necessary corrective action to ensure they will not recur in the following month. In addition, John

Tyler's internal policy titled "Reconciliation of Financial Aid Award Accounts" requires the identification and itemization of amounts of and the reasons for discrepancies.

By not properly documenting the reconciliation of the federal student aid programs, John Tyler is not able to demonstrate that it is actively researching and resolving the underlying issues before these issues potentially become a systemic problem. Systemic problems could result in federal non-compliance, which may lead to potential adverse actions by the U.S. Department of Education and affect John Tyler's participation in Title IV of the Higher Education Act of 1965 (Title IV) programs. By not having reconciliations signed and dated upon completion, management may not be able to hold staff accountable for the timeliness and proper completion of the reconciliations. Insufficient documentation and lack of implementation of policies and procedures in regards to the monthly reconciliation of financial aid award accounts are the leading causes to the reconciliation deficiencies.

John Tyler management should ensure staff responsible for federal aid program reconciliations review current policies and procedures and implement corrective actions to ensure staff are properly following established policies and procedures. John Tyler should document the preparer, reviewer, and the date of completion, of the monthly federal aid program reconciliations. In addition, any discrepancies should be researched, documented, and resolved according to John Tyler's internal policies and procedures, and in compliance with the Student Financial Aid Handbook.

2019-18: Deactivate Access to the Commonwealth's Purchasing System Timely

Topic: Access Control

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2016)

Prior Title: Deactivate User Access Promptly upon Employee Separation

John Tyler did not properly deactivate access to the Commonwealth's purchasing system in a timely manner. Two out of 19 (11%) employees sampled had their purchasing system access deactivated between 67 and 388 calendar days after the employee's termination date. The prior audit finding concerned the administrative and student system access, and there were no issues with access to those systems in the current fiscal year. However, the systems access controls are the same for all systems and; therefore, John Tyler's controls for deactivating access to the purchasing system were found to be operationally ineffective.

The System's Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. By not removing access in a timely manner, John Tyler is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deactivation of a user's access may compromise the protection and integrity of confidential Commonwealth purchasing system data. Since the Commonwealth's purchasing system is a web-based application accessible from anywhere, removing a user from the college's internal network is not sufficient.

There was lack of communication between supervisors and human resources that access needed to be removed in one case, and a lack of operational effectiveness of the termination process by human resources in the other case. John Tyler should allocate proper resources and strengthen communications between department supervisors to ensure employee access is removed timely. Management should evaluate the procedures for deactivating purchasing system access when an employee has terminated employment with the college and ensure that access is revoked timely for all systems.

BLUE RIDGE COMMUNITY COLLEGE

2019-19: Improve Controls Over Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2017 as 2017-41)

Prior Title: Improve Controls Over Employee Terminations

Since the last audit of Blue Ridge, it implemented an automated system to notify departments involved in the termination process when an employee terminates from the college; however, according to management for Blue Ridge, departments are not performing the required tasks timely. As a result, we found that Blue Ridge did not consistently perform its termination procedures for employees that terminated employment with the college. Of the 15 terminated employees sampled, Blue Ridge did not:

- remove the employee's system access within five business days for 11 (73%);
- collect Commonwealth property, such as charge cards, travel cards, and keys within five business days for 12 (80%);
- record the correct termination date within the system based on supporting documentation for one (7%); and
- retain documentation of the employee's termination date for one (7%).

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

By not removing access or collecting Commonwealth property in a timely manner, Blue Ridge is increasing the risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and sensitive information. Untimely deletion of access to systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution.

Management for the System should communicate the importance of termination procedures ensuring the return of Commonwealth property and the removal of system access for terminated employees to Commonwealth systems in a timely manner. In addition, Blue Ridge should ensure it accurately records termination dates and retains supporting documentation.

2019-20: Improve Enrollment Reporting Process

Topic: General Accounting

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Blue Ridge personnel did not report specific enrollment data to the National Student Loan Data System (NSLDS) accurately and timely. For five of 22 (23%) students tested, Blue Ridge did not properly identify that the student unofficially withdrew after the sixty percent point in the semester, and thus did not report the student's withdrawn status to NSLDS. Blue Ridge's current process relies on a withdrawal report that excludes students withdrawing after 60 percent of the period of enrollment. Blue Ridge primarily uses this report to determine the amount of a withdrawing student's unearned aid that the institution must return to the U.S. Department of Education. As the System developed this report to complete a separate compliance function, it does not represent a complete listing of students withdrawing during a period of enrollment.

In accordance with the United States Code of Federal Regulations (C.F.R.) at 34 C.F.R. § 685.309 and further outlined in the Enrollment Guide, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV program enrollment data depends heavily on information reported by institutions. By not submitting timely and accurate data to NSLDS, Blue Ridge can affect the U.S. Department of Education's monitoring processes and other higher education institutions reliance on the data when making aid decisions. Noncompliance may also have implications on an institution's participation in Title IV programs.

Blue Ridge should perform a comprehensive review of current enrollment reporting policies and procedures related to the identification and reporting of unofficial withdrawals to NSLDS. Blue Ridge should develop a process to capture students withdrawing after the 60 percent point in the semester to ensure proper reporting to NSLDS. Management for Blue Ridge should continue to include a quality control review process to monitor the submission of enrollment batches at both the campus and program levels in NSLDS.

DANVILLE COMMUNITY COLLEGE

2019-21: Ensure Financial Functions Are Maintained During Turnover

Topic: General Accounting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Danville did not approve revenue journal entries to the general ledger timely. Four out of 25 (16%) of the revenue entries randomly sampled were not approved timely, resulting in the revenue entries being recorded to the general ledger and the Commonwealth's accounting and financial reporting system between eight and eleven business days after the deposit date.

In accordance with CAPP Manual Topic 20205 – Deposits, all state receipts are to be recorded in the Commonwealth's accounting and reporting system, in a timely manner, within three business days of the deposit. Untimely approval of revenue entries can result in inaccurate data within the administrative system while the journal entry remains in a pending status. In addition, the Commonwealth's accounting and reporting system will not reflect current information until after the journal entry is posted to the college's general ledger.

According to management for Danville, the delay was related to turnover in the cashier's office. Danville should evaluate if staff should receive additional cross-training to ensure that financial functions are maintained during periods of turnover.

2019-22: Enforce Policy on Separation Checklists for Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2016)

Prior Title: Improve Procedures for Employee Separation

Danville did not retain separation checklists required by internal policies and procedures and; therefore, could not confirm the collection of college property for three (21%) out of the fourteen terminated employees selected for testwork. Danville's Personnel Policies, section 3080: Resignation, requires the completion of an employee separation checklist by the appropriate personnel prior to the employee leaving the college.

By not documenting and retaining a separation checklist and holding supervisors accountable for terminated employee's return of Danville property, there is an increased risk of misappropriation of assets and security concerns with recently separated employees having the ability to access Danville facilities with unrecovered identification cards.

Danville's management did not enforce internally developed human resources' policies and procedures regarding termination of employment during fiscal year 2019. Danville should follow their

established personnel policies to ensure that checklists are filled out for all terminated employees and ensure that Danville property issued to all staff is returned to the school upon termination. Management should hold supervisors accountable in instances where the checklists are not documented and retained appropriately.

2019-23: Retain Documentation as Required for Employment Eligibility Verification

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Danville personnel did not properly complete and file federal employment eligibility (I-9) forms. Danville did not retain copies of documents used to verify employment eligibility attached to the I-9 form for one employee out of seven (14%) randomly tested, as required by federal guidelines. Additionally, Danville did not file the copies of the required documents physically with the employees' I-9 forms as required by federal guidelines for two out of seven (29%) employees.

The Immigration Reform and Control Act of 1986 requires that all employees have a Form I-9 completed to verify both employment eligibility and identity. In accordance with the U.S. Citizenship and Immigration Services Handbook for Employers (M-274), section 4.0, if an agency participates using the E-Verify system and the employee presents a U.S. passport, passport card, Permanent Resident Card, or Employment Authorization Card, the agency must retain a copy of the identifying document with the employee's Form I-9.

Not complying with federal regulations related to employment verification could result in civil and/or criminal penalties and debarment from government contracts. Improper completion of the employee's eligibility verification, and insufficient controls surrounding the completion of I-9 forms caused this oversight. Additionally, Danville does not have written policies and procedures governing the completion of employment eligibility forms or for retaining documentation subsequent to the verification.

Danville should develop policies and procedures to govern proper completion of the Form I-9. Management for Danville should ensure that staff retain documents used to verify employment eligibility consistently for all employees, as required by the Immigration Reform and Control Act of 1986.

WYTHEVILLE COMMUNITY COLLEGE

2019-24: Improve Capital Asset Inventory and Tracking

Topic: Capital Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Wytheville did not conduct an adequate biennial inventory to ensure all capital assets and controlled assets are properly recorded in the System's fixed asset system. For the last biennial inventory, thirteen locations within the main campus had some or none of the assets identified as having been fully inventoried and none of the asset inventory sheets were properly completed and approved.

CAPP Manual Topic 30505 states a physical inventory of capital assets is required 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.

Insufficient tracking of Wytheville's capital assets increases the risk of misappropriation of Commonwealth property and may contribute to the inclusion of inaccurate information in the capital asset system and cause misstatements of the financial statements. According to management for Wytheville, assets were not properly tracked and managed due to a lack of staffing. The business manager assumed responsibilities for performing the biennial inventory when the asset technician position was eliminated.

Management for Wytheville should allocate proper resources to ensure a full inventory of capital and controlled assets is completed as required. Additionally, management for Wytheville should evaluate current inventory and tracking procedures and implement corrective measures to ensure a physical inventory of capital assets is completed in accordance with state requirements and discrepancies are corrected following a full inventory.

2019-25: Perform Federal Aid Reconciliations Timely

Topic: General Accounting

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Wytheville did not perform federal aid reconciliations timely. Ten out of 12 (83%) reconciliations were completed two to seven months after the end of the applicable month, of which five of the reconciliations were completed in the following fiscal year.

In accordance with 34 C.F.R. § 685.300(b)(5), 34 C.F.R. § 675.19(b)(2)(iv) and 34 C.F.R. § 676.19(b)(2), institutions must establish and maintain program and fiscal records, including Federal Direct Loans and campus-based programs, that are reconciled at least monthly. By not reconciling

federal student aid programs monthly as required, Wytheville increases the risk that it will not identify issues and resolve them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and could impact participation by the institution in Title IV programs.

According to management for Wytheville, the federal aid monthly reconciliations are not performed timely due the elimination of an accountant position in the local business office. Management for Wytheville should review current staffing resources involved in the reconciliation of federal aid programs to ensure that reconciliations are completed and reviewed timely.

2019-26: Ensure Revenue Journal Entries are Approved and Recorded Timely

Topic: General Accounting

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Wytheville did not approve revenue journal entries to the general ledger timely. Seven out of 25 (28%) of the revenue entries sampled were not approved timely, resulting in the revenue entries to be recorded to the general ledger and the Commonwealth's accounting and financial reporting system between four and seventeen calendar days after the deposit date.

In accordance with CAPP Manual Topic 20205 – Deposits, all state receipts are to be recorded in the Commonwealth's accounting and financial reporting system in a timely manner within three business days of the deposit. Untimely approval of revenue entries can result in inaccurate data within the administrative system while the journal entry remains in a pending status. In addition, the Commonwealth's accounting and financial reporting system will not reflect current information until after the journal entry is posted to the college's general ledger.

According to management for Wytheville, the delay was related to the elimination of an accountant position in the business office. Management for Wytheville should evaluate current staffing resources involved in the approval and posting of revenue journal entries to the general ledger to ensure that revenue entries are approved and recorded timely.

2019-27: Properly Monitor Commission Contracts

Topic: Procurement/Contract Management

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Wytheville did not properly monitor revenue-generating contracts. For the revenue-generating contracts reviewed, Wytheville:

- did not assign a contract administrator to the vending contract;

- did not hold the vending and bookstore contractors accountable for not providing supporting documentation of the monthly sales reports;
- did not hold the vending and bookstore contractors accountable for late commission payments, which consisted of one late payment from the bookstore contractor and three late payments from the vending contractor; and
- did not retain or complete a Contract Performance Evaluation Report for the bookstore and vending contractors.

Section 1 of the Virginia Department of General Services (General Services) Agency Procurement and Surplus Property Manual (APSPM) requires that procurements be accomplished in accordance with the intent of the law. Specifically, if there is to be a contract between a state agency and a nongovernmental vendor, the Procurement Act and the regulations set forth in the APSPM apply regardless of the source of funds from which the contract is to be paid or which may or may not result in monetary consideration for either party. Section 10.22(d) of the APSPM further states that service contracts for the management of cash operations (e.g., food services, canteen or bookstore operations, etc.) commonly permit agencies and institutions to share in the revenues these activities generate rather than require any expenditure of funds. Commissions should normally be based as a percentage of gross receipts. It is imperative that agencies have some ability to verify gross sales under agreements of this type.

By not performing due diligence with regard to contract monitoring, Wytheville is not receiving commission payments in a timely manner in accordance with contract terms. When contract administrator responsibilities are not properly assigned, it increases the risk that Wytheville will not have access to resources derived from commission payments for use in its daily operations. By not completing Contractor Performance Evaluation Reports, Wytheville does not have evidence that it is assessing contractor performance nor holding contractors accountable. Finally, by not obtaining the proper supporting documentation to the detail sales reports, Wytheville is unable to evaluate the accuracy of commission payments. According to management for Wytheville, the lack of contract monitoring was related to the elimination of an accountant position in the local business office.

Management for Wytheville should evaluate current staffing resources in order to assign each contract a contract administrator to ensure contracts are properly monitored and that contractor performance is in accordance with the terms of the contract. Management should ensure contracts are routinely monitored to ensure that vendors are in compliance with the terms of the contract and are held accountable as needed.

2019-28: Improve Controls over System Access**Topic:** Access Control**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2015)**Prior Title:** Assign System Access Based on Least Privilege

Wytheville did not perform an annual system access review of the administrative system and student system. Wytheville last completed an access review for the administrative system in April 2017 and was unable to provide evidence of the date it last completed an access review for the student system. Additionally, Wytheville did not have proper separation of duties in the administrative system, resulting in one employee with access to enter and approve accounting transactions.

The System's Security Standard, section 9.2.5 – Review of User Access Rights, states that user's access rights will be reviewed at regular intervals at least annually and after any changes, such as promotion, demotion, or termination of employment. User access rights will be reviewed and re-allocated when moving from one employment position to another within the same college. Section 6.1.2 – Segregation of Duties, of the System's Security Standard, states conflicting duties and areas of responsibility should be segregated to reduce opportunities for unauthorized or unintentional modification or misuse of the organization's assets.

By not performing annual system access reviews, there is an increased risk of unauthorized individuals having access to sensitive data and authorized individuals having inappropriate access not based on least privileges or that cause separation of duty concerns. When access granted violates the principle of least privilege or separation of duties, there is an increased risk that users can circumvent other compensating controls and perform unauthorized transactions. According to management for Wytheville, the lack of annual access reviews was due to the elimination of two positions in their Department of Information Technology. Additionally, the elimination of two positions in the local business office resulted in an employee improperly having access to both enter and approve accounting transactions.

Management for Wytheville should allocate proper resources to ensure proper separation of duties and perform an annual access review of the administrative and student systems in accordance with the System's Security Standard.

2019-29: Improve Controls over Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued for fiscal year 2015)

Prior Title: Deactivate User Access Promptly Upon Employee Separation

Wytheville did not consistently perform its termination procedures for employees that terminated employment with the college. We noted the following deficiencies:

- for five out of eight (63%) employees with deactivated access sampled, deactivation access to the purchasing system occurred between 14 and 184 calendar days after the employee's termination;
- for four out of five (80%) terminated employees sampled, deactivated access to critical systems occurred between seven and 61 calendar days after the employee's termination; and
- Wytheville made an overpayment of eight hours of annual leave to one out of three (33%) terminated salaried employees tested.

The System's Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. The Procurement System Security Standards, Section 2.8 – Deactivation of the Commonwealth's procurement system access, states access shall be deactivated when the requirement for access no longer exists. CAPP Manual Topic 50320 – Terminations, states agencies must verify that the Commonwealth's payroll system information concerning terminating employees is complete, properly authorized, and entered accurately into the system.

By not removing access in a timely manner, Wytheville is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution. Without proper review of leave balances, Wytheville increases the risk of incorrectly paying terminated employees.

According to management for Wytheville, the delay in deactivating system access was related to a lack of communication from supervisors to its human resources department (human resources) and IT department. Additionally, there has been an elimination of two positions in the IT department. Lack of review over the calculation of leave payout balances in the payroll department resulted in an overpayment of the annual leave payout.

Management for Wytheville should evaluate current staffing resources and improve communications between department supervisors, human resources, and the IT department to ensure system access is deactivated timely in accordance with the System's policies and procedures.

Additionally, management for the Wytheville should evaluate policies and procedures to ensure proper review of leave balances when an employee is terminating from the college.

DABNEY S. LANCASTER COMMUNITY COLLEGE

2019-30: Ensure System Access is Removed Timely and College Property is Returned for Terminated Employees

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney Lancaster did not consistently perform termination procedures in accordance with internal policies and procedures for employees that terminated employment. In testing 14 terminated employees, we noted that Dabney Lancaster did not:

- remove access to systems timely for four (29%) employees; and
- retain evidence that the employee turned in keys, charge cards, travel cards, or any other college assets upon departure for ten (71%) employees.

Additionally, in testing the two employees that had their access to the Commonwealth's procurement system removed during fiscal year 2019, we found that Dabney Lancaster deactivated the access ten business days after each employee had terminated employment.

The System's Security Standard, section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. Section 9.2.6 defines access rights that should be removed including physical and logical access, keys, identification cards, information systems and data, subscriptions, and removal from any documentation that identifies them as a current member of the college system. Additionally, the Commonwealth's Electronic Procurement System Security Standards, Section 2.8 – dealing with the deactivation of access, indicates the work supervisor shall notify the Commonwealth's procurement system's security officer or the Commonwealth's procurement system's lead when an individual's access should be deactivated.

By not removing access in a timely manner or retaining documentation that Commonwealth property was returned, Dabney Lancaster is increasing the risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and potentially sensitive information. Untimely deletion of access to systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution.

The reason for the untimely access removals for the four employees without access to the Commonwealth's procurement system is that the terminated employees were submitted on a single

ticket to the office of IT rather than individually as their employment ended. Additionally, this ticket was not submitted timely to the office of IT due to communication issues.

For the two employees without access to the Commonwealth's procurement system, there was a delay between the termination of the employee and the creation of the ticket to remove access by Dabney Lancaster staff. In addition, once the ticket is initiated, there are multiple layers of review in the workflow process during which the request is reviewed by two college business office staff and three IT system employees. During the process, a System Office employee must also notify the Department of General Services to deactivate the access so the ticket workflow can be deemed closed. The multiple layers of review led to the delayed removal of access. Furthermore, Dabney Lancaster's human resources department has not established a formal separation checklist for all employee types to provide an audit trail to reflect that all Dabney Lancaster issued items provided to staff have been collected upon the employee's departure.

Management for Dabney Lancaster should strengthen communication between the human resources department and the office information technology to establish consistency and ensure that access is removed timely. Dabney Lancaster personnel should collaborate with the System Office to refine procedures which streamline the workflow process from employee termination to the Commonwealth's procurement system's access deactivation. Furthermore, Dabney Lancaster should consider implementing and maintaining a separation checklist for all terminated employees to ensure proper removal of both physical and system access and the collection of Commonwealth property.

2019-31: Complete Employment Eligibility Forms Properly

Topic: Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Dabney Lancaster did not properly complete I-9 forms. In testing five employees' I-9 forms, we noted Dabney Lancaster did not:

- have the employee sign Section 1 of the I-9 form on or before the first day of work for one employee (20%);
- sign Section 2 of the I-9 form for within three days of the employee's first day of work for two employees (40%); and
- submit the E-Verify case within three business days and had no documentation supporting its reason for delaying its submission for two employees (40%).

In accordance with the M-274, section 2.0, agencies must ensure that the employee completes Section 1 of the Form I-9 at the time of hire. The time of hire is noted on the form as the first day of employment. Agencies should also review the employee's documents and fully complete Section 2 within three business days of the hire. Finally, as noted in section 5.2, when rehiring an employee within

three years from the state their I-9 form was previously completed, you may either rely on the employee's previously executed I-9 form or complete a new one.

The underlying cause of the inaccurate forms was oversight and lack of written procedures. Not complying with federal regulations related to employment verification could result in civil and/or criminal penalties and debarment from government contracts. Improper completion of the employee's eligibility verification, and insufficient controls surrounding the completion of the Form I-9 caused this oversight.

Dabney Lancaster should develop procedures to govern compliant completion of the Form I-9 for all new hires and rehires. Management for Dabney Lancaster should ensure that staff comply with all deadlines, document retention, and signature requirements of the process, as required by the Immigration Reform and Control Act of 1986.

2019-32: Confirm Retirement Contributions within the Required Timeframe

Topic: Human Resources and Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Dabney Lancaster did not confirm retirement contribution snapshots timely for three out of 12 (25%) months during fiscal year 2019. Dabney Lancaster personnel do not have policies and procedures specific to their school pertaining to the retirement system reconciliation and monthly snapshot confirmation.

The Contribution Confirmation and Payment Scheduling Virginia Retirement System Employer Manual requires employers to submit a month's contribution snapshot by the tenth of the following month. Untimely certification at the agency level impacts the ability of the Department of Accounts to process inter-agency transfers for any differences between the amounts confirmed in the Commonwealth's retirement benefits system and the retirement contributions actually withheld and paid for all agencies across the Commonwealth.

Dabney Lancaster payroll office personnel work closely with human resource personnel to reconcile retirement system benefits data prior to confirming the snapshot. For the July 2018 snapshot, a delay in addressing reconciling issues with three grant funded employees resulted in the late confirmation. For October and December 2018, the underlying cause of the late confirmations is a lack of oversight.

Management for Dabney Lancaster should ensure that payroll office and human resource personnel address reconciling items timely, so the snapshot contribution can be completed by the tenth of the following month. Dabney Lancaster should develop, implement, and ensure the operational effectiveness of policies and procedures that include a timeline clarifying when reconciliations should be completed and snapshots confirmed.

2019-33: Properly Monitor Commission Contracts

Topic: Procurement/Contract Management

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Dabney Lancaster did not properly monitor revenue-generating contracts. In fiscal year 2019, we noted that Dabney Lancaster did not:

- assign a contract administrator for its vending contract;
- take action when the bookstore vendor paid six out of 12 (50%), and the vending operation vendor paid 24 out of 24 (100%) commissions untimely;
- take action when vendors made payments without support; and
- complete a Contract Performance Evaluation Report for the bookstore and vending contracts.

The APSPM Chapter 10.2, requires each state agency and institution to delegate a contract administrator in writing, with corresponding responsibilities defined. This ensures that responsibilities for actively monitoring vendor performance and completing performance evaluations are clearly assigned. Section 10.22(d) of the APSPM further states that service contracts for the management of cash operations (e.g., food services, canteen or bookstore operations, etc.) commonly permit agencies and institutions to share in the revenues these activities generate rather than require any expenditure of funds. It is imperative that agencies have some ability to verify gross sales under agreements of this type.

When contract administrator responsibilities are not properly assigned, it increases the risk that Dabney Lancaster will not have access to resources derived from commission payments for use in its daily operations. As a result of not performing due diligence with regard to contract monitoring, Dabney Lancaster is limited in its ability to hold vendors accountable when commission payments are not received in accordance with contract terms. Without obtaining the proper supporting documentation for sales reports, Dabney Lancaster is unable to evaluate the accuracy of commission payments. Finally, by not completing Contractor Performance Evaluation Reports, Dabney Lancaster does not have support for assessing contractor performance or for holding contractors accountable.

Management for Dabney Lancaster overlooked designating an individual in writing to be the contract administrator for one of its revenue contracts and has not established a process for ensuring personnel complete performance evaluations for revenue contracts. Dabney Lancaster did not hold the bookstore contractor accountable for not providing supporting documentation of the monthly sales reports. Dabney Lancaster has not ensured the operational effectiveness of monitoring controls resulting in uncertainty over the accuracy of revenue payments received, and the timeliness of vendor payments.

For each revenue contract, management for Dabney Lancaster should designate in writing an individual to be the contract administrator and ensure that each contract administrator completes and retains a performance evaluation. Dabney Lancaster should routinely monitor contracts to ensure that vendors are in compliance with terms of the contract and ensure the accuracy of revenue payments in agreement with contractual terms and monitor payments for timeliness and take actions as needed.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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July 14, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the **Virginia Community College System (System)** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated July 14, 2020. 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 finding numbers 2019-01 through 2019-33 in the section titled “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 Governmental Auditing Standards and which are described in the section titled “Internal Control and Compliance Findings” with the following numbers:

Finding Numbers: 2019-

04	05	06	07	08	09	11	13
14	17	18	19	20	23	25	28
29	30	31					

The System’s Response to Findings

We discussed this report with management at an exit conference held on July 15, 2020. The System’s response to the findings identified in our audit are described in the accompanying section titled “Virginia Community College System – Report Response.” 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 reported in prior audits. Due to the risk-based approach we use for determining which colleges are subject to on-site testing each year, we did not test implementation of corrective actions of certain prior findings during the current year's audit. Testing of the corrective action actions for these findings have been deferred to subsequent audits of the System. Please see Appendix III: "Status of Prior Findings" for the current disposition of prior findings that were not considered resolved as part of a prior year audit.

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

- 2015: Assign System Access Based on Least Privilege (2019-28)
- 2015: Deactivate User Access Promptly Upon Employee Separation (2019-29)
- 2016: Improve Procedures for Employee Separation (2019-22)
- 2016: Deactivate User Access Promptly Upon Employee Separation (2019-18)
- 2017-41: Improve Controls over Employee Terminations (2019-19)
- 2018-01: Encourage Community Colleges and the Shared Services Center to Control System Access (2019-04)
- 2018-03: Improve Web Application Security (2019-07)
- 2018-04: Continue to Complete a Risk Assessment for Each Sensitive System (2019-08)
- 2018-06: Perform a Proper Evaluation and Analysis of System Access Levels (2019-09)
- 2018-36: Follow Commonwealth Requirements for the Stewardship of Fixed Assets (2019-12)
- 2018-40: Implement Effective Exit Procedures for Adjunct Faculty and Wage Employees (2019-11)
- 2018-60: Strengthen Interdepartmental Communications Related to Terminated Employees (2019-14)

Accordingly, we designated these findings with a "Repeat: Yes" or "Repeat: Partial" label in the section titled "Internal Control and Compliance Findings." Additionally, refer to Appendix III: "Status of Prior Findings" for a cross-reference between the prior and current year findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in

accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

GDS/vks

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/ Entity	Finding Title	Topic
System Office		
2019-01	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	General Accounting
2019-02	Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting	General Accounting
2019-03	Accurately Report Intra-Commonwealth Transfers of Capital Assets	Capital Assets
2019-04	Develop Reference Tools for the Student System	Access Control
2019-05	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
2019-06	Improve Operating System Security	Information System Security
2019-07	Continue to Improve Web Application Security	Information System Security
2019-08	Continue to Complete a Risk Assessment for Each Sensitive System	Information System Security
Shared Services Center		
2019-09	Continue to Address System Access Issues and Implement Additional Controls	Access Control
Northern Virginia Community College		
2019-10	Ensure Contracts for Adjunct Employees Are Retained	Human Resources and Payroll
2019-11	Continue to Improve and Implement Effective Exit Procedures for Employees	Human Resources and Payroll
2019-12	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Capital Assets
2019-13	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
Tidewater Community College		
2019-14	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
John Tyler Community College		
2019-15	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	Capital Assets
2019-16	Perform Adequate Bank Reconciliations and Report Bank Balances Accurately	General Accounting
2019-17	Properly Document Discrepancies and Adhere to Policies Regarding Federal Aid Reconciliations	General Accounting
2019-18	Deactivate Access to the Commonwealth's Purchasing System Timely	Access Control

SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/ Entity	Finding Title	Topic
Blue Ridge Community College		
2019-19	Improve Controls Over Terminated Employees	Human Resources and Payroll
2019-20	Improve Enrollment Reporting Process	General Accounting
Danville Community College		
2019-21	Ensure Financial Functions Are Maintained During Turnover	General Accounting
2019-22	Enforce Policies on Separation Checklists for Terminated Employees	Human Resources and Payroll
2019-23	Retain Documentation as Required for Employment Eligibility Verification	Human Resources and Payroll
Wytheville Community College		
2019-24	Improve Capital Asset Inventory and Tracking	Capital Assets
2019-25	Perform Federal Aid Reconciliations Timely	General Accounting
2019-26	Ensure Revenue Journal Entries are Approved and Recorded Timely	General Accounting
2019-27	Properly Monitor Commission Contracts	Procurement/Contract Management
2019-28	Improve Controls over System Access	Access Control
2019-29	Improve Controls Over Terminated Employees	Human Resources and Payroll
Dabney S. Lancaster Community College		
2019-30	Ensure System Access is Removed Timely and College Property is Returned for Terminated Employees	Human Resources and Payroll
2019-31	Complete Employment Eligibility Forms Properly	Human Resources and Payroll
2019-32	Confirm Retirement Contributions within the Required Timeframe	Human Resources and Payroll
2019-33	Properly Monitor Commission Contracts	Procurement/Contract Management

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/ Report ID Number	Finding Title	Applicable To:
Access Control		
2019-04	Develop Reference Tools for the Student System	System Office
2019-09	Continue to Address System Access Issues and Implement Additional Controls	Shared Services
2019-18	Deactivate Access to the Commonwealth's Purchasing System Timely	John Tyler Community College
2019-28	Improve Controls over System Access	Wytheville Community College
Capital Assets		
2019-03	Accurately Report Intra-Commonwealth Transfers of Capital Assets	System Office
2019-12	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Northern Virginia Community College
2019-15	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	John Tyler Community College
2019-24	Improve Capital Asset Inventory and Tracking	Wytheville Community College
General Accounting		
2019-01	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	System Office
2019-02	Update Guidance and Encourage Communication Between Shared Services and Colleges Regarding Financial Reporting	System Office
2019-16	Perform Adequate Bank Reconciliations and Report Bank Balances Accurately	John Tyler Community College
2019-17	Properly Document Discrepancies and Adhere to Policies Regarding Federal Aid Reconciliations	John Tyler Community College
2019-20	Improve Enrollment Reporting Process	Blue Ridge Community College
2019-21	Ensure Financial Functions Are Maintained During Turnover	Danville Community College
2019-25	Perform Federal Aid Reconciliations Timely	Wytheville Community College
2019-26	Ensure Revenue Journal Entries are Approved and Recorded Timely	Wytheville Community College
Human Resources and Payroll		
2019-10	Ensure Contracts for Adjunct Employees Are Retained	Northern Virginia Community College

SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/ Report ID Number	Finding Title	Applicable To:
2019-11	Continue to Improve and Implement Effective Exit Procedures for Employees	Northern Virginia Community College
2019-14	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Tidewater Community College
2019-19	Improve Controls Over Terminated Employees	Blue Ridge Community College
2019-22	Enforce Policies on Separation Checklists for Terminated Employees	Danville Community College
2019-23	Retain Documentation as Required for Employment Eligibility Verification	Danville Community College
2019-29	Improve Controls Over Terminated Employees	Wytheville Community College
2019-30	Ensure System Access is Removed Timely and College Property is Returned for Terminated Employees	Dabney S. Lancaster Community College
2019-31	Complete Employment Eligibility Forms Properly	Dabney S. Lancaster Community College
2019-32	Confirm Retirement Contributions within the Required Timeframe	Dabney S. Lancaster Community College
Information System Security		
2019-06	Improve Operating System Security	System Office
2019-07	Continue to Improve Web Application Security	System Office
2019-08	Continue to Complete a Risk Assessment for Each Sensitive System	System Office
Procurement/Contract Management		
2019-05	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	System Office
2019-13	Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports	Northern Virginia Community College
2019-27	Properly Monitor Commission Contracts	Wytheville Community College
2019-33	Properly Monitor Commission Contracts	Dabney S. Lancaster Community College

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
Wytheville Community College			
2015-N/A***	Assign System Access Based on Least Privilege	Repeat	2019-28
2015-N/A***	Improve Fixed Asset Inventory and Tracking	Deferred*	N/A
2015-N/A***	Perform myVRS Navigator Pre-Reconciliations	Resolved**	N/A
2015-N/A***	Deactivate User Access Promptly Upon Employee Separation	Repeat	2019-29
Mountain Empire Community College			
2015-N/A***	Deactivate User Access Promptly Upon Employee Separation	Deferred*	N/A
2015-N/A***	Assign System Access Based on Least Privilege	Deferred*	N/A
Southwest Virginia Community College			
2015-N/A***	Ensure Proper Monitoring of Auxiliary Contracts	Deferred*	N/A
2015-N/A***	Improve Fixed Asset Inventory and Tracking	Deferred*	N/A
Virginia Highlands Community College			
2015-N/A***	Improve Documentation of Policies and Procedures	Deferred*	N/A
2015-N/A***	Assign System Access Based on Least Privilege	Deferred*	N/A
Danville Community College			
2016-N/A***	Improve Procedures for Employee Separation	Repeat	2019-22
Central Virginia Community College			
2016-N/A***	Properly Remit Unclaimed Property - Repeat	Deferred*	N/A
2016-N/A***	Improve Fixed Asset Inventory and Tracking - Repeat	Deferred*	N/A
John Tyler Community College			
2016-N/A***	Deactivate User Access Promptly Upon Employee Separation	Repeat	2019-18
2016-N/A***	Improve Controls over Leave Reporting	Resolved**	N/A
Virginia Western Community College			
2016-N/A***	Improve Fixed Asset Inventory Oversight	Deferred*	N/A
Shared Services Center (SSC)			
2017-03	Confirm that No Reconciliation is Appropriate	Resolved**	N/A
2017-04	Retain Supporting Documentation for Payments	Resolved**	N/A
Thomas Nelson Community College (TNCC)			
2017-09	Ensure Everyone Knows How to Send Sensitive Information Securely	Deferred*	N/A
2017-10	Comply with Prompt Payment Requirement	Deferred*	N/A
2017-11	Improve Segregation of Duties between Human Resources and Payroll	Deferred*	N/A
2017-12	Ensure Terminated Employees are Properly Classified in the Payroll System	Deferred*	N/A
2017-13	Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements	Deferred*	N/A
2017-14	Deactivate Terminated User Access Timely	Deferred*	N/A
2017-15	Ensure Employee Clearance Forms are Completed at Termination	Deferred*	N/A
2017-16	Ensure Access to Commonwealth's Retirement Benefits System is Controlled Across the System	Deferred*	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
Thomas Nelson Community College (TNCC), continued			
2017-17	Ensure Reconciling Inventory Items Are Properly Classified	Deferred*	N/A
2017-18	Report Allowance for Doubtful Accounts Quarterly	Deferred*	N/A
Paul D. Camp Community College (PDCCC)			
2017-19	Ensure Revenue Contracts are Valid	Deferred*	N/A
2017-20	Ensure Leave Liability Report is Complete	Deferred*	N/A
2017-21	Implement Proper Procedures for Classifying Missing Assets	Deferred*	N/A
2017-22	Establish Chain of Custody Protocol for Critical Documentation	Deferred*	N/A
Southside Virginia Community College (SVCC)			
2017-23	Reconcile Benefits System to Other Systems	Deferred*	N/A
2017-24	Improve Human Resources Data Reconciliation Procedures	Deferred*	N/A
2017-25	Improve Internal Controls over Terminated Employees	Deferred*	N/A
2017-26	Deactivate Terminated User Access Timely	Deferred*	N/A
2017-27	Maintain Legal Agreements	Deferred*	N/A
2017-28	Improve Fixed Asset Inventory and Tracking	Deferred*	N/A
2017-29	Verify Daily Cash Settlement Reports Timely	Deferred*	N/A
2017-30	Ensure Revenue Journal Entries are Approved Timely	Deferred*	N/A
2017-31	Improve Controls over Payroll Processing	Deferred*	N/A
Eastern Shore Community College (ESCC)			
2017-32	Improve Benefits System Reconciliation Process	Deferred*	N/A
2017-33	Improve Process over Terminated Employees	Deferred*	N/A
2017-34	Improve Human Resources Data Reporting Procedures	Deferred*	N/A
2017-35	Improve Documentation of Policies and Procedures	Deferred*	N/A
2017-36	Improve Fixed Asset Controls	Deferred*	N/A
2017-37	Properly Approve P-3 Forms	Deferred*	N/A
2017-38	Properly Maintain Faculty Records	Deferred*	N/A
Blue Ridge Community College (BRCC)			
2017-39	Ensure Accuracy in Reporting Accrued Payroll	Resolved**	N/A
2017-40	Perform Monthly Reconciliations Between the Benefits System and Other Systems	Resolved**	N/A
2017-41	Improve Controls over Employee Terminations	Repeat	2019-19
2017-42	Obtain Commonwealth Purchasing System Acceptable Use Agreements	Resolved**	N/A
2017-43	Properly Monitor Revenue Contract Deliverables	Resolved**	N/A
J. Sargeant Reynolds Community College (JSRCC)			
2017-48	Improve Process over Petty Cash	Deferred*	N/A
2017-49	Improve Internal Controls over Terminated Wage Employees	Deferred*	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
Student Financial Aid - Rappahannock Community College (RCC)			
2017-50	Improve Reporting to National Student Loan Data System	Deferred*	N/A
2017-51	Properly Perform Title IV Calculations	Deferred*	N/A
2017-52	Identify and Address Reconciling Items Timely	Deferred*	N/A
Student Financial Aid - Eastern Shore Community College (ESCC)			
2017-53	Improve Reporting to National Student Loan Data System	Deferred*	N/A
System Office			
2018-01	Encourage Community Colleges and the Shared Services Center to Control System Access	Partial Repeat	2019-04
2018-02	Continue Improving Vulnerability Mitigation Efforts	Resolved**	N/A
2018-03	Improve Web Application Security	Repeat	2019-07
2018-04	Continue to Complete a Risk Assessment for Each Sensitive System	Repeat	2019-08
Shared Services Center			
2018-05	Ensure Proper Processing and Approval of Vouchers	Resolved**	N/A
2018-06	Perform a Proper Evaluation and Analysis of System Access Levels	Repeat	2019-09
2018-07	Ensure Contracts Are Valid and Current	Deferred*	N/A
2018-08	Be Able to Enforce Revenue Contract Deliverables	Deferred*	N/A
2018-09	Ensure Vendors Are Aware of Special Instructions and Automated Processes work as Intended	Resolved**	N/A
Lord Fairfax Community College			
2018-10	Ensure Staff Transmits Sensitive Information Securely	Deferred*	N/A
2018-11	Ensure Staff Responsible for Fixed Asset Inventory Receive Training on the Topic	Deferred*	N/A
2018-12	Ensure Adequate Staffing to Provide for Proper Separation of Duties Over the Cash Collection Process	Deferred*	N/A
2018-13	Ensure Proper Capitalization of Fixed Assets	Deferred*	N/A
2018-14	Improve Effectiveness of System Access Controls	Deferred*	N/A
2018-15	Review Leave Liability Report for Accuracy	Deferred*	N/A
2018-16	Improve Documentation for Small Purchase Charge Cards	Deferred*	N/A
2018-17	Identify and Report Leases to Support the System's Financial Statements	Deferred*	N/A
2018-18	Develop Policies and Procedures for Adjunct Employees without an Active Contract	Deferred*	N/A
2018-19	Maintain Proper Documentation for System Access Termination	Deferred*	N/A
2018-20	Maintain Documentation for Federal Aid Program Reconciliations	Deferred*	N/A
2018-21	Identify and Report Prepaid Expenses	Deferred*	N/A
2018-22	Assign Responsibility for Properly Coding	Deferred*	N/A
2018-23	Develop Policies and Procedures to Address Exceptions between the Commonwealth's Payroll and Human Resource Systems	Deferred*	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
Piedmont Virginia Community College			
2018-24	Improve Controls over Fixed Asset Inventory	Deferred*	N/A
2018-25	Remove System Access When Employees No Longer Need Access	Deferred*	N/A
2018-26	Properly Monitor Grant Programs to Ensure Proper Accounting and Compliance for Accounts Receivable	Deferred*	N/A
2018-27	Properly Consider if the Costs Associated with Putting an Asset into Service Should be Capitalized	Deferred*	N/A
2018-28	Ensure Payroll Reconciliation is Performed as Required	Deferred*	N/A
2018-29	Perform and Document Retirement Benefit System Reconciliations	Deferred*	N/A
2018-30	Confirm Retirement Contributions within the Required Timeframe	Deferred*	N/A
2018-31	Properly Accrue Prepaid Expenses	Deferred*	N/A
2018-32	Return Unearned Title IV Funds Timely	Deferred*	N/A
2018-33	Perform Accurate Return of Title IV Calculations	Deferred*	N/A
2018-34	Reconcile Federal Aid Programs Timely	Deferred*	N/A
2018-35	Improve Reporting to National Student Loan Data System	Deferred*	N/A
Northern Virginia Community College			
2018-36	Follow Commonwealth Requirements for the Stewardship of Fixed Assets	Repeat	2019-12
2018-37	Improve Effectiveness of System Access Controls	Resolved**	N/A
2018-38	Ensure Proper Processing of Vouchers	Resolved**	N/A
2018-39	Ensure All Contracts Are Valid and Current	Resolved**	N/A
2018-40	Implement Effective Exit Procedures for Adjunct Faculty and Wage Employees	Repeat	2019-11
2018-41	Complete Employment Eligibility Verification within the Required Timeframe	Resolved**	N/A
2018-42	Improve Reporting to National Student Loan Data System	Deferred*	N/A
Patrick Henry Community College			
2018-43	Improve the Management of Critical System Access	Deferred*	N/A
2018-44	Improve Fixed Asset Inventory Procedures and Tracking of Fixed Assets	Deferred*	N/A
2018-45	Ensure Revenue Generating Contracts Are Current and Properly Monitored	Deferred*	N/A
2018-46	Ensure Human Resources Department Corrects Inaccurate Employee Leave Balances	Deferred*	N/A
2018-47	Comply with Employment Eligibility Requirements	Deferred*	N/A
Germanna Community College			
2018-48	Develop and Document Policies and Procedures for Operationalizing Payroll and Human Resource Functions	Deferred*	N/A
2018-49	Remove System Access No Longer Necessary to Perform Job Duties	Deferred*	N/A
2018-50	Improve Payroll Document Retention	Deferred*	N/A
2018-51	Develop and Implement Policies and Procedures for Employee Terminations	Deferred*	N/A
2018-52	Document Justification for Prepaying Expenses	Deferred*	N/A

STATUS OF PRIOR FINDINGS

Entity/ Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
New River Community College			
2018-53	Improve Critical System Access Monitoring	Deferred*	N/A
2018-54	Improve Fixed Asset Inventory and Tracking	Deferred*	N/A
2018-55	Ensure Contracts Are Properly Monitored	Deferred*	N/A
2018-56	Confirm Virginia Retirement System Snapshot Timely	Deferred*	N/A
2018-57	Properly Report Accruals	Deferred*	N/A
Tidewater Community College			
2018-58	Perform Effective Reviews of System Access	Resolved**	N/A
2018-59	Properly Monitor Revenue Contract Deliverables	Resolved**	N/A
2018-60	Strengthen Interdepartmental Communications Related to Terminated Employees	Partial Repeat	2019-14
2018-61	Ensure Prepaid Expenses and Other Payments Comply with Commonwealth Requirements	Resolved**	N/A
2018-62	Improve Reporting to National Student Loan Data System	Deferred*	N/A
Rappahannock Community College			
2018-63	Ensure Revenue is Recorded Timely and Accurately	Deferred*	N/A
2018-64	Update Policies and Procedures for Cash Management Requirements	Deferred*	N/A
2018-65	Assign Contract Administrator Responsibilities in Writing	Deferred*	N/A
2018-66	Properly Document Federal Aid Reconciliations	Deferred*	N/A
Central Virginia Community College			
2018-67	Reconcile Financial Aid Activity to Federal Systems	Deferred*	N/A
2018-68	Improve Reporting to National Student Loan Data System	Deferred*	N/A
2018-69	Properly Process Title IV Refund Calculations	Deferred*	N/A
2018-70	Return Unclaimed Aid to Department of Education	Deferred*	N/A
2018-71	Improve Cash Management Procedures	Deferred*	N/A
2018-72	Perform Monthly Bank Reconciliations	Deferred*	N/A
2018-73	Improve Reporting to the Common Origination and Disbursement System	Deferred*	N/A
Virginia Western Community College			
2018-74	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred*	N/A
2018-75	Reconcile Federal Aid Programs Timely	Deferred*	N/A
2018-76	Resolve Federal Department of Education Findings	Deferred*	N/A
J. Sargeant Reynolds Community College			
2018-77	Improve Direct Loan Reconciliations	Deferred*	N/A
2018-78	Resolve Federal Department of Education Findings	Deferred*	N/A
Paul D. Camp Community College			
2018-79	Improve Reporting to National Student Loan Data System	Deferred*	N/A
Dabney S. Lancaster Community College			
2018-80	Improve Reporting to National Student Loan Data System	Deferred*	N/A

STATUS OF PRIOR FINDINGS

- * Deferred finding follow-up means that audit procedures were not performed as part of the current year audit but are planned for the future. Currently, Northern Virginia Community College, Tidewater Community College, the System Office and Shared Services Center can expect to have some follow-up procedures in each audit year.
- ** Resolved means that audit procedures including test work procedures indicated that the issue was adequately corrected by entity in the current fiscal year.
- *** Fiscal Year - N/A means that in those prior year reports, the findings have no ID number to reference; please use the title when referring to the correct fiscal year report.

ABBREVIATIONS

Abbreviations/Acronyms	Definition
Accounts	Virginia Department of Accounts
APSPM	Agency Procurement and Surplus Property Manual
Business Office	Employees collectively responsible for: financial reporting, payroll, procurement, capital assets, human resources, and/or student financial assistance
Blue Ridge	Blue Ridge Community College
C.F.R.	United States Code of Federal Regulations
CAPP	Commonwealth Accounting Policies and Procedures
Complimentary Controls	Complimentary user entity controls
Colleges	Community colleges
Dabney Lancaster	Dabney S. Lancaster Community College
Danville	Danville Community College
FOIAE	Freedom of Information Act Exempt
GASB	Governmental Accounting Standards Board
General Services	Virginia Department of General Services
Human Resources	Human resources department for each individual college
I-9	Federal employment eligibility forms
ISO	International Standards Organization
IT	Information technology
John Tyler	John Tyler Community College
Military Affairs	Virginia Department of Military Affairs
M-274	U.S. Citizenship and Immigration Services Handbook for Employers
Northern Virginia	Northern Virginia Community College
NSLDS	National Student Loan Data System
Security Policy	System Office's information security policy
Shared Services	Shared Services Center
SOC	System and Organization Controls
System	Virginia Community College System
System Office	Virginia Community College System Office
System's Security Standard	System's Information Technology Security Standard, based on ISO 27002:2013
Tidewater	Tidewater Community College
Title IV	Title IV of the Higher Education Act of 1965
Wytheville	Wytheville Community College



July 15, 2020

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, 2019.

We confirm that we have received the findings and recommendations and have prepared a corrective action plan that will be submitted to the Department of Accounts.

If you have any questions, please contact Craig Herndon, VCCS Senior Vice Chancellor for Administration, Finance, and Technology, at (804) 819-4782.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn DuBois", written in a cursive style.

Glenn DuBois
Chancellor

GD/ch

Enclosure

cc: Dr. Craig Herndon

STATE BOARD FOR COMMUNITY COLLEGES

As of June 30, 2019

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As of June 30, 2019

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Chancellor, Virginia Community College System

Blue Ridge Community College	Dr. John A. Downey
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