



# VIRGINIA STATE UNIVERSITY

FOR THE YEAR ENDED

JUNE 30, 2018

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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

(804) 225-3350



## AUDIT SUMMARY

We have audited the basic financial statements of Virginia State University as of and for the year ended June 30, 2018, and issued our report thereon, dated June 20, 2019. Our report, included in the University's Financial Statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at Virginia State's website at [www.vsu.edu](http://www.vsu.edu). Our audit found:

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

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

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## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

### **Improve Virtual Private Network Security**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2017, with significant progress in this area)

In our last audit, we recommended that Virginia State University (University) improve the security of their virtual private network (VPN) by implementing an additional control required by the Commonwealth's Information Security Standard, SEC 501 (Security Standard). The University began implementing the control in spring 2019 and expects to complete the implementation by summer 2019.

The Security Standard requires the enforcement of certain security controls when accessing sensitive and mission critical systems remotely to protect the confidentiality, integrity, and availability of the data stored and processed in the internal network. We communicated the details of the control weakness to the University in a separate document marked Freedom of Information Act Exempt (FOIAE) under §2.2-3705.2 of the Code of Virginia, due to its sensitivity and description of security mechanisms.

The University should continue to implement the control communicated in the FOIAE document. By implementing this control, the University will further reduce the data security risk to sensitive and mission critical systems in the internal network.

### **Improve User Access Controls**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Partial (first issued in fiscal year 2016)

University system owners are not consistently removing terminated employees' access to systems on their last day of work. In addition, the University did not conduct annual user access reviews for all University systems. Our review of system access identified the following:

- Three instances where the University did not remove access to the Commonwealth's human resource system timely upon employees' termination.
- One instance where an employee retained access to the University's banking system for eight months after their job responsibilities changed and the employee's position no longer required access.
- Eight instances where the Information Technology Department could not provide documentation or evidence that employees' access to the University's financial system was removed timely based on the data owner's request.

- Data owners do not provide positive confirmation that annual access reviews are completed timely for the University's financial system.
- The Human Resources Department does not perform an annual review of access to the Commonwealth's human resource system.
- Access request forms are not retained for all new users obtaining access to the Commonwealth's human resource system.
- The Human Resources Access Administration Policy is inconsistent with the University's Logical Access Control and Account Management Policy and the Commonwealth's Security Standard.

Despite mitigating controls, such as automatic password expiration, active directory access removal, and disabling inactive accounts, system owners must remove access to all applications used by terminating employees. Part D of University Policy 6310, Logical Access Control and Account Management Policy, requires the immediate termination of user access to all systems effective on the employees last day of work. This policy is consistent with and was developed to promote the University's compliance with the Security Standard, Section PS-4 Personnel Termination. Further, University Policy 6310.C.5 requires role-based authorization based on the principle of least privilege; this policy is consistent with the Security Standard, Section AC-6.

Untimely removal of system access and a lack of periodically reviewing system access greatly increases the risk of unauthorized access to the various University systems. The University should require system owners to remove user accounts according to the University's policy. Human Resources should provide timely information regarding new employees, terminations, or modifications of employment status to assist systems owners in making changes to system access. The Information Technology Department should ensure that changes to a user's account are made timely and should maintain records or audit trails to provide support for all changes made. This should include activity for both current and terminated employees. Lastly, the Human Resource Director should ensure that human resource policies are consistent with the University's Account Management Policies, as well as, the Commonwealth's Security Standard.

#### **Improve Documentation of Emergency and Sole Source Procurement**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

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

In our last audit, we recommended that the University improve the documentation of emergency and sole source procurements. The Office of Procurement Services could not provide adequate documentation to verify that the University made emergency and sole source procurements in accordance with the Department of General Service's Agency Procurement and Surplus Property Manual (Procurement Manual), and the Virginia Information Technologies Agency's Buy IT Manual (VITA Manual). Procurement Services did not adequately document key elements such as evidence that they

sought competition, determined price reasonableness, had a sufficient rationale for vendor selection, and justified the emergency.

Procurement Services should ensure that all emergency and sole source procurements follow the Procurement Manual and VITA Manual and documentation is maintained in the contract files that is sufficient to support the contract award decisions. Procurement Services revised the emergency and sole source checklist and discussed the revisions and requirements with purchasing officers in June 2018. We will review the implementation of management's corrective actions during our next audit.

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Develop Procedures for Proper Accrual of Accounts Payable**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

The University is not adequately evaluating vouchers paid after year-end to determine the correct accounts payable accrual amount. We reviewed a sample of vouchers paid during July and August 2018 that Financial Reporting did not include in the year-end accounts payable accrual. Based on the results of our sample, we determined that 47 percent of these transactions relate to goods or services received prior to June 30, 2018, which Financial Reporting should have accrued as an accounts payable for year-end financial reporting. The projected misstatement of these transactions is \$2.4 million.

Additionally, we reviewed several high dollar vouchers paid during July and August 2018. We identified one voucher for \$272,310, which was improperly included in the fiscal year 2018 accounts payable accrual. This voucher was related to activity that occurred after June 30, 2018, which Financial Reporting should not have included as accounts payable. Finally, we reviewed a year-end adjusting journal entry prepared by Financial Reporting to accrue expenses for a capital outlay project. Four of the 11 transactions included in the adjusting entry related to work performed in July 2018 and should not have been included in accounts payable. These four transactions total \$476,306.

The errors identified above resulted in an understatement of year-end accounts payable of \$1.6 million, along with a corresponding understatement of operating expenses. Financial Reporting relies on a report from the Commonwealth's accounting and financial reporting system to prepare the year-end accrual for accounts payable. This report uses the goods and services receipt date to determine the fiscal year in which expenses should be reported. Inaccurately reporting the goods and services receipt date in the system resulted in the report providing an inaccurate listing of transactions that should be accrued as accounts payable.

The University should review their current procedures for processing vouchers to ensure accurate dates for all transactions are entered into the University's financial system. The Controller's Office should also review the current process for uploading transactions from the University's financial system to the Commonwealth's accounting and financial reporting system to ensure all dates are uploaded correctly. Finally, Financial Reporting should develop year-end procedures to support the compilation of the financial statements, which includes the accurate accrual of accounts payable.

## **Strengthen Internal Controls over Capital Assets**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

The Finance Department (Finance) did not perform adequate oversight over fixed assets or correct discrepancies within the fixed asset system in accordance with University and Commonwealth requirements. Our audit included a review of the physical inventory process, asset additions, equipment expenses, and asset disposals to verify existence and completeness of depreciable capital assets. Based on our audit procedures, we identified the following:

- Documentation was not maintained to support the biennial inventory of assets identified as surplus.
- Three assets older than one year that are still in their original packaging, which the University has not placed into service. All three assets are listed as active assets in the fixed asset system and are being depreciated prior to the University utilizing the assets.
- A year-end journal which included the disposal of fully depreciated assets totaling \$653,961, which are still active assets in use by the University.
- Assets totaling \$450,871 purchased during fiscal year 2018 that the University did not add to the fixed asset system for over one year after the acquisition date, resulting in an understatement of capital assets and an overstatement of operating expenses.
- A construction project, previously reported as a non-depreciable capital asset, totaling approximately \$2.2 million completed in fiscal year 2016 which the University did not add to the appropriate depreciable capital asset category until fiscal year 2018.

Finance lacked sufficient staffing levels or back-up positions within the fixed asset accounting area during the fiscal year, which contributed to these deficiencies. In addition, University management is not enforcing and ensuring compliance with University and Commonwealth fixed asset policies and procedures regarding acquisition of assets, disposal of assets, physical inventories, and recording of assets in the fixed asset system.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30205 (Asset Acquisition Method) states that all recordable assets should be recorded in the fixed asset system within 30 days after receipt and acceptance of the asset. Additionally, to ensure accurate financial reporting, the University should post all asset acquisitions and disposals to the fixed asset system in the fiscal year the assets are acquired or disposed. CAPP Manual Topic 30305 (Capitalized or Controlled Assets), includes policies and procedures for the proper identification of capital asset expenditures, entry in the fixed asset system, and eventual disposal classification within fixed asset system. CAPP Manual Topic 30705 (Surplus Property Management) provides policies and procedures for the proper stewardship of surplus assets which includes performing a biennial inventory. Proper recording of assets in the fixed



asset system is critical to ensure capital assets are correctly reported within the financial statements. In addition, the absence of performing, documenting, or recording physical inventory increases the risk of loss, theft, and inaccurate reporting of capital assets.

The University should ensure that all individuals entering asset information in the fixed asset system have a thorough understanding of the University and CAPP Manual policies and procedures. Additionally, the University should ensure that adequate documentation is maintained to support inventories of surplus assets and necessary changes are recorded in the fixed asset system in a timely manner. Finance should ensure that all asset acquisitions and disposals are timely entered into the fixed asset system, and within the correct fiscal year. Financial Reporting should utilize data from the fixed asset system based on acquisition and disposal dates when preparing the financial statements to ensure the financial statements accurately depict the activity that occurred during the year.

#### **Enhance Special Pay Monitoring Controls**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

The Payroll Department (Payroll) does not properly review temporary pay adjustments and corresponding special pays in the payroll system. A University employee was approved to receive a temporary pay adjustment starting in November 2017. The pay adjustment was not processed until March 2018, which resulted in a manual special pay to provide the employee with back pay for the previous months. Payroll did not remove the manual special pay for the 14 subsequent pay periods, resulting in a \$25,743 overpayment to the employee.

Processing temporary pay and other types of special payments can be a manual process that requires Payroll to review documentation in a physical folder in order to determine the payroll action that needs to be taken. Payroll inadvertently did not adjust the employee's pay after the first special payment was made. While a payroll audit performed by Payroll identified the overpayments, this did not occur until several pay periods after the error was made. Vacant positions in Payroll resulted in there being only two payroll accountants processing payroll. As a result, monitoring processes were not executed because the payroll accountant was consumed with daily payroll operations.

The University should evaluate Payroll's staffing needs and should ensure that the department is adequately staffed. Understaffing Payroll could result in errors that impact both employees and the University. Having sufficient staffing will help ensure that payroll audits and other monitoring activities are performed timely which will help ensure the accuracy and timeliness of payroll processing.

### **Improve Processes for Employment Eligibility**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The Human Resources Department (Human Resources) did not accurately document and/or retain documentation related to employment eligibility verification. Our audit included a sample of employees to review the completed U.S. Citizenship and Immigration Services Form I-9, as well as the use of the Department of Homeland Security's E-Verify service. Our sample of employees found the following:

- Human Resources could not provide Form I-9's for ten employees (33%);
- Four employees (13%) did not complete Section 1 of the Form I-9 as of the first day of employment;
- Human Resources did not complete all required fields in Section 2 of the Form I-9 for 14 employees (47%);
- Human Resources did not complete Section 2 of the Form I-9 for five employees (17%) within three days of the first day of employment;
- Human Resources did not properly document information used to establish the employee's identity for eight employees (27%); and
- Human Resources could not provide evidence that three employees (10%) were authorized in the E-Verify system.

The Immigration Reform and Control Act of 1986, requires all employees hired after November 6, 1986, to have a Form I-9 completed to verify both employment eligibility and identity. This requirement ensures that employers hire only individuals who may legally work in the United States. Additionally, per the Handbook for Employers M-274, issued by the U.S. Citizenship and Immigration Services, Forms I-9 must be retained for a period of at least three years from the date of hire or for one year after the employee is no longer employed, whichever is longer. Failure to comply with the federal requirements could result in monetary fines.

Human Resources should ensure that staff are informed of, and adequately trained on, the U.S. Department of Homeland Security's guidelines. Furthermore, Human Resources should periodically review employment eligibility documentation to ensure that employees and staff are completing and properly retaining employment eligibility documentation.

## **Improve Processes over Payroll and Human Resource Reconciliations**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Payroll is not conducting adequate and timely reconciliations to ensure the data in the payroll system is accurate and complete. The CAPP Manual Topic 50905 requires monthly reconciliations to ensure the accuracy of payroll files, employee tax reporting, and tax and deduction withholdings. These reconciliations include the Report 10 to Report 33 reconciliation, the healthcare reconciliation, and Virginia Retirement System (VRS) reconciliations. Our audit included a review of the various payroll reconciliations, and based on our audit procedures, we identified the following:

- Payroll performs the Report 10 to Report 33 reconciliation quarterly, rather than monthly;
- When performing the Report 10 to Report 33 reconciliation, Payroll does not include documentation to support when discrepancies do not require corrective action;
- Payroll did not make adjustments for all exceptions identified while performing the healthcare reconciliation; and
- As part of the VRS reconciliation process, Human Resources is not reconciling creditable compensation from the benefits system to the human resource system.

Payroll's internal policy for reconciling Report 10 and Report 33 is not consistent with the CAPP Manual. The policy does not require the monthly reconciliation of Report 10 to Report 33, nor does it require the documentation of the resolution for all exceptions. Not completing reconciliations monthly increases the volume of incidences and corrections needed at quarter-end. Payroll should implement reconciliation policies that are consistent with the CAPP Manual to ensure reconciliations are properly documented and all exceptions are clearly identified.

The CAPP Manual Topic 50410 requires a reconciliation between the benefits systems and human resources systems to ensure that the interface between the systems and/or manual entries are accurately reflected in the benefits system. The reconciliation should be completed and all discrepancies resolved prior to certifying the monthly snapshot confirmation. The CAPP Manual requires the reconciliation of the creditable compensation from the human resource system to the benefits system to ensure that the benefits system has properly identified the creditable compensation for the current month and that employees are reported into the proper retirement plan codes. Inadequate reconciliations can cause errors in members' retirement related data. Human Resources should implement policies and procedures to ensure the completion of reconciliations prior to confirmation of contribution amounts.

### **Establish a Process for Periodically Reviewing Stagnate Grants and Contributions**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

A portion of the University's unearned revenue balance is comprised of grants or contributions that have not been used for extended periods of time. Approximately 55 grants or contributions were identified during the audit, which have not been used for at least six years however; their exact nature and circumstances remain unknown. All of these grants or contributions are presented in the University's Statement of Net Position as current liabilities. Generally accepted accounting principles define current liabilities as those obligations, which are expected to be liquidated within the shorter of a year or an operating cycle and which are expected to be satisfied using current assets or the assumption of additional current liabilities. The presentation of the unearned revenue associated with these stagnate grants or contributions could be misleading to users of the University's financial statements.

A primary concern is whether the University is effectively deploying its resources. The likelihood of restricted grants and contributions being forgotten and; therefore, unused increases with the passage of time, unless controls are established to the contrary. It is possible that, if made aware that their grant/contribution has not been used, the grantor/contributor of these funds may be willing to ease some or all of the restrictions that were initially placed upon the grant or contribution.

The University does not currently have a process in place for the periodic review of grants and contributions that are unused for extended periods of time. The University should complete a review of the grants or contributions identified as stagnate during the audit and determine whether their eventual use is foreseeable. If any of these grants or contributions are deemed unlikely to be used within the next year, the University should consider moving their balance to the noncurrent liabilities section of the Statement of Net Position. Additionally, the University should establish a process for periodically reviewing these grants and contracts that have not been used for extended periods of time.

### **Improve IT Asset Surplus Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The University does not have any policies or procedures that align with the Removal of Commonwealth Data from Electronic Media Standard (Data Removal Standard), SEC 514. In addition, the University lacks certain controls to support the information technology (IT) asset surplus and data removal process.

We identified and communicated this information to management in a separate document marked FOIAE under §2.2-3705.2 of the Code of Virginia due to it containing specific descriptions of security mechanisms. The Data Removal Standard requires the University to have procedures that appropriately document the entire data removal process prior to the physical transfer or destruction of an

IT asset. The Data Removal Standard also requires the University to develop and implement a documented quality assurance process to test for effective data removal from electronic media.

The University should dedicate the necessary resources to implement the controls and recommendations discussed in the communication marked FOIAE in accordance with the Data Removal Standard.

#### **Improve Reporting to National Student Loan Data System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University personnel did not ensure enrollment data was reported to the National Student Loan Data System (NSLDS) accurately and timely. The cause at this time is indeterminate and will require additional research. For the twenty-five students tested, we noted the following deficiencies:

- Eight students (32%) had an inaccurate effective date in NSLDS. One student in this group also did not have the correct enrollment status; and
- For six students (24%), the enrollment status change was not reported timely.

In accordance with Code of Federal Regulations 34 CFR § 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 enrollment data depends heavily on information reported by institutions. By not submitting timely and accurate data to NSLDS, the University can affect the reliance placed by the Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implication on an institution's participation in Title IV programs.

Management should perform a comprehensive review of current enrollment reporting policies and procedures. Management should implement corrective action to prevent future noncompliance. Management should consider implementing a quality control review (QCR) process to monitor the submission of enrollment batches and the accuracy of reporting at both the campus and program levels in NSLDS. One of these options may be a QCR workgroup comprised of those employees involved in the enrollment reporting process. However, the type of QCR process implemented should be determined by University personnel in conjunction with members of management.

#### **Improve Reporting to the Common Origination and Disbursement System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

The Financial Aid Office did not report disbursement dates accurately to the Common Origination and Disbursement System for four of 30 (13%) students tested. Financial Aid personnel stated that issues

with the University's student accounting system and software caused the delay in the disbursement reporting.

In accordance with 34 CFR § 668.14(a), Title IV funds are disbursed on the date that the institution (a) credits those funds to the student's account in the institution's general ledger or any subledger of the general ledger, or (b) pays those funds to the student directly. Title IV funds are disbursed even if the institution uses its own funds in advance of receiving program funds from the U.S. Secretary of Education (Secretary).

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



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 20, 2019

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia State University

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia State University** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 20, 2019. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 entitled "Improve Virtual Private Network Security," "Improve User Access Controls," "Improve Documentation of Emergency and Sole Source Procurement," "Develop Procedures for Proper Accrual of Accounts Payable," "Strengthen Internal Controls over Capital Assets," "Enhance Special Pay Monitoring Controls," "Improve Processes for Employment Eligibility," "Improve Processes over Payroll and Human Resource Reconciliations," "Establish a Process for Periodically Reviewing Stagnate Grants and Contributions," "Improve IT Asset Surplus Process," "Improve Reporting to National Student Loan Data System," and "Improve Reporting to the Common Origination and Disbursement System," which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Improve Virtual Private Network Security," "Improve User Access Controls," "Improve Documentation of Emergency and Sole Source Procurement," "Improve Processes for Employment Eligibility," "Improve IT Asset Surplus Process," "Improve Reporting to National Student Loan Data System," and "Improve Reporting to the Common Origination and Disbursement System."



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

We discussed this report with management at an exit conference held on June 25, 2019. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Status of Prior Findings**

The University is taking corrective action with respect to the previously reported findings "Improve Virtual Private Network Security," "Improve User Access Controls," and "Improve Documentation of Emergency and Sole Source Procurement." Accordingly, we included these findings in the section entitled "Status of Prior Year Findings and Recommendations." The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

### **Purpose of this Report**

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

AUDITOR OF PUBLIC ACCOUNTS

JMR/vks



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**Kevin W. Davenport**  
Vice President for Finance and  
Chief Financial Officer

**TDD (804) 524-5487**

July 9, 2019

Martha Mavredes  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218-11295

Dear Ms. Mavredes:

Virginia State University (VSU) has reviewed the Financial Internal Control and Compliance Findings and Recommendations provided by the Auditor of Public Accounts for the year ended June 30, 2018. The University acknowledges and is in agreement with the following findings and recommendations:

Improve Virtual Private Network Security

Concur. Technology Services deployed the control communicated in the FOIAE document during the spring 2019 semester. The solution has been tested and is working as intended.

Improve User Access Controls

Concur. Human Resources and Technology Services will review its policies and procedures to ensure user's access are terminated and documented in a timely manner. Human Resources will also revise its policies and procedures to ensure employment and termination information is reported in a timely manner.

Improve Documentation of Emergency and Sole Source Procurement

Concur. Procurement Services revised its emergency and sole source checklist and discussed the revisions and requirements with purchasing officers. Procurement Services will ensure policies and procedures are updated to ensure the proper documentation of emergency and sole source procurements.

Develop Procedures for Proper Accrual of Accounts Payable

Concur. The Controller's Office will review its policies and process to ensure dates are accurately recorded in the university's financial system and that transactions are properly accrued at year-end.

Strengthen Internal Controls over Capital Assets

Concur. Administrative Services will review its policies and procedures to ensure fixed assets are recorded accurately and timely in the university's financial systems. Administrative Services will ensure personnel entering transactions are properly trained and have an understanding of university and CAPP Manual policies and procedures.

Enhance Special Pay Monitoring Controls

Concur. As of the June 24, 2019 pay period, the University had already recovered \$10,563 from the employee. The University will seek reimbursement for the remaining balance. The Payroll Department will also fill its current vacancies and ensure new staff is properly trained to process temporary pay adjustments. Special pay requests impact worker productivity and increase the risk of errors. As such, management will improve its planning processes to limit the number of future special payroll requests.

Martha Mavredes  
July 9, 2019  
Page 2

Improve Processes for Employment Eligibility

Concur. Human Resources will ensure staff is informed of and adequately trained on the U.S. Department of Homeland Security's guidelines. Human Resources will ensure employees and staff properly review employment eligibility documentation.

Improve Processes over Payroll and Human Resource Reconciliations

Concur. The Payroll Office will perform monthly reconciliations to ensure the data in the payroll system is accurate and complete.

Establish a Process for Periodically Reviewing Stagnate Grants and Contributions

Concur. The Grants and Contracts office will review its policies and procedures to ensure the periodic review of grants and contributions that are unused for extended periods of time. Any grants unlikely to be used will be moved to the noncurrent liabilities section of the Statement of Net Position.

Improve IT Asset Surplus Process

Concur. Administrative Services will develop and implement policies and procedures to ensure continued compliance with Data Removal Standards.

Improve Reporting to National Student Loan Data System

Concur. The Financial Aid Office will perform a comprehensive review of current enrollment reporting policies and procedures. The Financial Aid Office will also consider implementing a quality control review process.

Improve Reporting to the Common Origination and Disbursement System

Concur. The Financial Aid Office will develop processes to ensure the accurate reporting of disbursement dates to the Common Origination and Disbursement System.

Virginia State University is committed to addressing these audit findings and recommendations. On behalf of the administration and staff at Virginia State University, please extend my gratitude to your staff for their commitment and professionalism.

Sincerely,



Kevin Davenport  
Vice President for Finance and Chief Financial Officer

cc: Makola M. Abdullah, President  
Atif Qarni, Secretary of Education  
Mr. David Von Moll, State Comptroller  
Mr. Daniel Timberlake, Director of Planning and Budget

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## **VIRGINIA STATE UNIVERSITY**

As of June 30, 2018

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### **ADMINISTRATIVE OFFICIALS**

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President

Dr. Donald E. Palm  
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Vice President of Finance

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Vice President for Administration

Dr. Letizia Gambrell-Boone  
Vice President of Student Success and Engagement