VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, and issued our report thereon, dated August 24, 2026. 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 University's website at www.vccs.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- one deficiency related to financial reporting that we consider to be a material weakness in internal control;
- eight matters involving internal control and its operation requiring management's attention that also represent instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; however, we do not consider the matters to be material weaknesses;
- four additional internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- adequate corrective action with respect to the prior audit findings and recommendations identified as complete in the Status of Prior Findings included in the Appendix.

We perform our audit of the System's financial statements in a manner that aligns with risk and ensures comprehensive coverage over material financial statement line items and related amounts disclosed in the notes to the financial statements. In addition, we perform a separate review using an Internal Control Questionnaire (ICQ) process for System colleges with less risk and financial activity. Moving forward, prior findings for colleges subject to the ICQ process will not be included in the Schedule of Findings as we will conduct follow-up procedures on those findings as part of the ICQ process and will issue a separate report. Likewise, we began issuing individual reports at the System colleges in fiscal year 2024 over testing of the Student Financial Assistance federal program in support of the fifth-year interim report and 10-year reaffirmation of accreditation.

We performed an audit over 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, at Northern Virginia Community College. In relation to this testing, we found nine internal control findings requiring management's attention and instances of noncompliance in relation to Student Financial Assistance. The internal control and compliance findings and recommendations are not included in this report but can be found in the Student Financial Assistance Programs Cluster Report on Audit for the Year Ended June 30, 2024.

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

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

2024-01: Strengthen Capital Asset Management and Financial Reporting Controls
Type: Internal Control
Severity: Material Weakness
First Reported: Fiscal Year 2021

The System has pervasive and longstanding weaknesses in capital asset reporting that have been present since 2021 and have continued to expand in scope and severity. Despite prior identification of these issues, the System has not implemented sufficient corrective action, resulting in deterioration rather than improvement in capital asset management and financial reporting processes. The weaknesses now span multiple asset categories, accounting processes, and colleges. The issues identified reflect systemic breakdowns in the evaluation, recording, classification, and monitoring of capital assets, leases, subscription-based information technology arrangements (SBITAs), public-private partnerships, and related transactions. Errors occurred both at individual colleges and at the System level and include failure to capitalize material assets, delays and inaccuracies in recording acquisitions and disposals, misapplication of Governmental Accounting Standards Board (GASB) standards, incomplete review of contracts, and unreliable inventory controls. Collectively, these errors demonstrate deficiencies in implementing required accounting guidance, maintaining complete and accurate records, and ensuring compliance with financial reporting requirements. Additionally, the System lacked policies addressing essential areas such as construction-in-progress, timely asset capitalization, impairment, and useful life determination. As a result of these deficiencies, we identified the following adjustments to the financial statements:

- The System did not properly evaluate new leases or record balances in compliance with GASB Statement No. 87, Leases, resulting in the following adjustments:
    - $10.1 million increase in lease liability beginning balance;
    - $9.4 million increase in right-to-use intangible asset beginning balance;
    - $10.4 million increase in lease liabilities; and
    - $14.9 million increase (net) in right-to-use intangible assets.

- The System did not appropriately prepare for or apply guidance in newly-issued GASB Implementation Guide 2021-1 (Question 5.1) related to group assets resulting in a $15.4 million adjustment to increase beginning net position and a $2.2 million adjustment to increase net depreciable capital assets related to group assets purchased by the System.

- The System did not implement sufficient procedures to ensure compliance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). Specifically, a college did not appropriately interpret invoices and work orders related to a SBITA, resulting in adjustments to beginning balances and construction-in-progress; and another college initially overlooked a SBITA and later communicated it to management for recognition in the financial statements. Seven of 15 colleges (47 percent) misinterpreted

invoices resulting in undervalued SBITAs, incorrect commencement or payment dates, or incorrect assessments of short-term or long-term SBITAs. One college incorrectly recorded a SBITA that should not have been recognized because the underlying services related to non-subscription components that are excluded under GASB Statement No. 96. Four colleges did not sufficiently review invoice details to determine if the purchases represented SBITAs or expenses. Further, one entity did not review 18 of 20 prepaid expenses tested (90 percent) to determine whether the expenses qualified as short-term SBITAs, and some of these expenses represented capitalizable implementation costs that the college should have been reported as SBITA construction-in-progress.

- The System had multiple deficiencies related to equipment acquisition, disposal, recognition, and physical inventory. One college failed to capitalize 21 pieces of equipment, which understated depreciable capital assets by $4.4 million. Further, testing identified errors such as incorrect values, inaccurate acquisition dates, and delays of 41 to 270 days in recording assets. Physical inventory testing found that 13 of 112 assets (11.6%) were missing and 27 of 112 assets (24.1%) had incorrect or missing inventory tags.

- The System did not perform an overall review of contractual agreements for GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, applicability. Fifteen of 23 colleges (65%) had bookstore operations meeting GASB Statement No. 94 criteria for Public-Public Partnerships that the System did not disclose in the notes to the financial statements along with $3.5 million in commissions.

Management is responsible for maintaining effective internal controls to ensure accurate and complete financial reporting. Generally accepted accounting principles defined by the GASB and the Commonwealth Accounting Policies and Procedures (CAPP) Manual require proper evaluation, classification, and documentation of capital assets, including leases, SBITAs, public-private and public-public partnerships. The System must adequately review agreement terms, maintain timely and accurate asset records, and ensure non-lease or non-subscription expense components are treated appropriately. The System should maintain comprehensive, up-to-date policies and procedures that cover construction-in-progress, asset acquisition and disposal information, impairment, useful lives, physical inventory, and proper valuation of assets, including all associated expenses.

These issues stemmed from insufficient policies and procedures, inadequate oversight, decentralized processes, staff turnover, inconsistent application of accounting standards across colleges, and misinterpretation of GASB requirements. Collectively, these deficiencies indicate that the System lacks adequate resources to consistently monitor and report on capital assets, and to properly interpret and apply financial reporting requirements. As a result, the System produced inaccurate and incomplete financial statements requiring material adjustments to beginning balances, ending balances, and note disclosures.

The System should strengthen its policies and procedures to align with GASB standards and CAPP Manual requirements and consistently apply the revised policies and procedures to all capital assets

including leases and SBITAs. The System should ensure staff are properly trained to prevent misinterpretation of GASB requirements; fully evaluate all contracts for lease, SBITA, and capital asset implications; and timely capture, review, and correct related data in the Commonwealth's lease accounting system. The System should dedicate resources to properly report group assets, ensure all acquisition costs and dates are accurately recorded by colleges, and perform thorough reviews of information submitted by colleges to promote consistency, completeness, and accuracy in systemwide financial reporting. In addition, given the risk posed by staff turnover across the System, the System Office should maintain comprehensive and centralized documentation to preserve institutional knowledge and provide recurring GASB-focused training to ensure new and existing staff can consistently apply accounting standards and fulfill capital asset reporting responsibilities. Strengthening these processes and controls will help ensure the System can reliably identify, value, record, and report capital assets and related activities in accordance with GASB requirements; support consistent practices across colleges; and improve the overall accuracy and integrity of systemwide financial reporting.

2024-02: Improve Internal Controls over Journal Entry Approval
Type: Internal Control
Severity: Significant Deficiency

The System does not have journal entry approval controls properly configured in the System's accounting information system (accounting system) for certain colleges and some employees within the System Office. As a result, certain employees have access that allows them to enter and approve interim and year-end journal entries.

CAPP Manual Topic 20905 states agency management is responsible for instituting internal controls over the recording of financial transactions that are designed to provide reasonable assurance regarding the reliability of those records. The System's adopted security standard, the International Organization for Standardization and International Electrotechnical Commission Standard, ISO/IEC 27002 (Security Standard) further require adequate segregation of duties so that individuals entering journal entries are not able to approve their own entries. Insufficient journal entry approval controls and a lack of appropriate segregation of duties increase the risk of misstated financial information and potential fraud or error within the accounting system and the System's financial statements.

The System permitted certain employees within the System Office and some colleges to self-approve journal entries in the accounting system due to staffing shortages. Although memos existed acknowledging these staffing constraints and the resulting segregation of duties issues, the authorized exceptions within the memos based on staffing constraints did not extend into fiscal year 2024.

The System should coordinate with colleges to conduct a review of the accounting system settings to ensure consistent and adequate journal entry approval controls are in place. The System should develop uniform policies and procedures surrounding journal entry approval controls, including the process for granting and documenting exceptions to those policies and procedures; and develop compensating controls in situations where it is deemed necessary for employees to have access to enter and approve their own transactions.

2024-03: Improve Monitoring of Critical System Access
Type: Internal Control and Compliance
Severity: Significant Deficiency
First Issued: Fiscal Year 2021

The System did not manage and monitor user access to multiple critical systems in accordance with established access control requirements. The System did not consistently perform and document annual access reviews, apply least-privilege principles, or enforce segregation of duties across the accounting system, student information system, and human resource management system. As a result, multiple users maintained unnecessary or conflicting roles that increased the risk of inappropriate system access.

Our review identified several deficiencies in how colleges monitored and maintained user access. Annual access reviews were not consistently completed, with seven of the 25 (28%) colleges not performing a formal annual review of the accounting system user access and four colleges (16%) not completing the required annual review of the student information system access. Further, the System's annual review process did not include procedures to identify segregation of duties conflicts across the accounting system, student information system, and human resource management system, limiting the effectiveness of the certification process and allowing users to retain incompatible or unnecessary access.

In addition to not completing required annual reviews, seven colleges did not remove excessive or incompatible user access or fully resolve prior-year segregation of duties conflicts. We also found weaknesses where colleges granted access to employees without following least-privilege principles and segregation of duties. Testing of user access within the human resource management system revealed that nine of 40 (23%) users held critical roles that were not required for their job responsibilities, indicating that the colleges did not consistently apply least-privilege principles. Segregation of duties conflicts also persisted across all three systems as follows:

- In the accounting system, 10 of 23 (43%) users tested held conflicting role combinations.
- In the student information system, six of 17 (35%) users tested held conflicting combinations.
- In the human resource management system, six of 16 (38%) users tested held conflicting role combinations.

Prior-year audit results showed similar unresolved conflicts, with employees at two colleges retaining combinations of the accounting system, student information system, and human resource management system roles that continued to violate segregation of duties expectations. These recurring issues indicate that colleges did not consistently incorporate prior-year findings into their review methodology or implement sufficient corrective actions to eliminate incompatible access.

The System's Security Standard states that management must verify granted access aligns with the access control policies. Specifically, the Security Standard requires applying least-privilege principles; performing and certifying formal user access reviews at least annually; timely removal or adjustment of access when job responsibilities change; and implementing segregation of duties to prevent unauthorized system use.

Inconsistent management oversight, staffing turnover, and limited awareness of how to identify and resolve access conflicts led to incomplete and ineffective access reviews. Further, colleges relied on users serving as operational backups without applying compensating controls, and review procedures did not include steps to detect cross-system segregation of duties conflicts. Additionally, management did not consistently incorporate prior-year findings into their review methodology and verify colleges implemented corrective actions, allowing incompatible access to persist.

Without consistent annual access reviews and enforcement of least-privilege and segregation of duties principles, users may retain unnecessary or unauthorized access to sensitive systems. This increases the risk that individuals could bypass controls, perform inappropriate or unauthorized transactions, or misuse system privileges, either negligently or deliberately. The continued presence of unresolved segregation of duties conflicts further elevates exposure to errors, fraud, or misuse.

Management should strengthen the annual access review process to ensure each college performs, documents, and certifies required reviews for the accounting system, student information system, and human resource management system. The System should implement procedures to identify segregation of duties and least-privilege conflicts across all systems, incorporate prior-year audit findings into its review methodology, and require compensating controls when conflicts cannot be removed. Additionally, management should improve training and awareness to ensure entities understand how to identify access conflicts and implement timely access changes.

2024-04: <u>Improve Firewall Security</u>
Type: Internal Control and Compliance
Severity: Significant Deficiency

The System does not define certain requirements and secure its perimeter firewall in accordance with the Security Standard and the System's Information Technology Guidelines (IT Security Guideline). We identified opportunities to improve the System's policies and procedures for securing its firewall. We communicated four weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms.

The Security Standard requires the System to implement certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of its information systems and data. Without maintaining sufficient policies and procedures to maintain the firewall, the System increases the risk that the required minimum-security controls are not implemented, which could result in the compromise of the System's sensitive data.

The System should address the firewall security control weaknesses and implement the corrective actions described in the separate FOIA-exempt communication in accordance with its Security Standard, IT Security Guideline, and applicable industry best practices. Strengthening these controls will help protect the confidentiality, integrity, and availability of the System's information systems and sensitive data.

2024-05: <u>Strengthen Processes Over Recording Student Fee Rates and Associated Revenue</u>
Type: Internal Control
Severity: Significant Deficiency

The System should strengthen its processes related to the recordation of student fee rates in its student information system as well as processes for interfacing the student fee revenue in the student information system to its accounting system. Student fees are set and approved by the State Board of Community Colleges (State Board) annually for each academic year. Following State Board approval of the rates, business office staff at each of the 23 colleges are responsible for entering the approved rates in the student information system. Our review found several inconsistencies across the System related to the naming and recording of fees in the student information system and the interfacing of student fee revenue to the accounting system as follows:

- Three of the 23 (13%) colleges recorded tuition and fee rates in the student information system that did not agree to the State Board approved rates. The rates in question relate to student fee types that the colleges did not use during academic year 2023-2024; therefore, there was no financial impact.

- Five of the 23 (22%) colleges do not have fee codes that are distinct to the individual mandatory non-educational and general fees; these colleges combined two different fees into one fee code.

- Thirteen of the 23 (57%) colleges interface non-mandatory educational and general fees charged in the student information system to account codes in the accounting system which are inconsistent with the nature of the revenue.

There is no process at the System to review the rates entered by the colleges to ensure they agree to the State Board approved rates. Nor is there a process to evaluate coding of the interface from the student information system to the accounting system to ensure consistency, accuracy, and reasonableness.

As some mandatory fees relate to tuition and fee revenue and others to auxiliary revenue, the combining of fee codes and interfacing to improper account codes in the accounting system requires the colleges to have additional manual processes in place to allocate revenue to appropriate account coding to ensure proper financial reporting. While our review found that most colleges have varying processes in place to ensure proper financial reporting of tuition and fee and auxiliary fee revenue, the current process increases the System's risk of improperly charging students and reporting revenue.

CAPP Manual Topic Number 10305 - Internal Control, requires the System to maintain internal controls over all major business cycles, such as those referenced herein. Additionally, the Department of Accounts Comptrollers Directive to Higher Education Institutions requires the System to ensure internal controls over its separately issued financial statements are strong and result in complete and accurate information. The cause for the inconsistencies in the recordation of student fees in the student information system and interfacing of student fee revenue to the accounting system is due to a lack of System policies and procedures which govern internal controls and processes and ensure proper oversight related to the recording of student fee rates and revenue.

The System should evaluate current processes for recording student fee rates and revenue to ensure the processes support consistency and accurate reporting. To provide accurate System-level oversight, and because fee rates are approved at the State Board level, the System should enter or review all rates at the System level before colleges use them in the student information system. In doing so, the System should update its policies and procedures governing internal controls and processes related to the recording of student fee rates and revenue and oversight at the System level.

2024-06: Improve Consistency in Accounting for Pell Grants and Equipment Trust Fund Activity
Type: Internal Control
Severity: Significant Deficiency

The System did not properly account for and report certain federal and state revenues and expenses in fiscal year 2024. Three colleges reported Pell grant revenues and expenses inaccurately, resulting in understatements ranging from $900,000 to $5.3 million. Similarly, more than half of the colleges with Equipment Trust Fund (ETF) activity collectively overstated revenues and expenses by $3.8 million due to inconsistent and erroneous accounting for ETF reimbursements.

The System should recognize revenues and expenses related to Pell grants in accordance with GASB Statement No. 33, which requires recognition when all eligibility requirements are met, including student financial need and allowable reimbursable costs such as tuition, fees, and bookstore expenses. Title IV regulations (34 CFR § 668.14(a)) require Pell grant disbursements to be recorded when funds are credited to the student's account or paid directly, even when institutional funds are used prior to reimbursement. For ETF activity, all colleges must follow established System processes for requesting and recording reimbursements, properly account for timing differences between purchases and reimbursements; and the System must review and reclassify ETF activity as part of financial statement preparation.

Pell grant reporting was affected by delays in recording a large year-end drawdown, turnover in key positions, and insufficient understanding of grant reporting requirements. Misstatements occurred for ETF reimbursements because colleges did not consistently follow procedures for recording ETF reimbursement activity, including properly managing timing differences between equipment purchases and reimbursements. The System did not adequately review activity recorded in the accounting system before reclassifying ETF transactions.

Management is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements in accordance with generally accepted accounting principles. Collectively, these misstatements can lead to inaccurate representation of the System's financial position, improper conclusions by financial statement users, and challenges in planning and requesting federal funds.

To address these combined issues, the System should strengthen and consistently apply its procedures for accounting and financial reporting of both Pell grant and ETF activity. The System should clearly communicate these procedures to all colleges, ensure staff understand the applicable GASB and federal requirements, and implement controls that address turnover and knowledge gaps to ensure transactions are recorded timely and accurately. The System should also enhance its review of activity recorded in the accounting system before reclassifying transactions and preparing the financial statements to prevent misstatements across the System.

2024-07: Develop and Implement a Process to Maintain Oversight Over Third-Party Service Providers
Type: Internal Control
Severity: Significant Deficiency
First Reported: Fiscal Year 2019

Our prior year audit found that while the System has worked to develop comprehensive policies and procedures over the review of third-party service providers' System and Organization Control (SOC) reports, which include evaluating related complementary user entity controls (CUECs), these procedures have yet to be implemented by each of the community colleges using the services, nor the System Office. Management informed us that corrective action remained ongoing throughout the fiscal year 2024 audit period. Adequate resources have not been allocated to fully implement corrective action, contributing to the delay in executing the required SOC review procedures. As management plans to complete corrective action after the fiscal year under review, we will evaluate whether the corrective action achieved the desired result during the fiscal year 2025 audit.

CAPP Manual Topic 10305 requires agencies to have adequate interaction with service providers to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over providers to gain assurance over outsourced operations. Without implementing the written comprehensive policies and procedures over SOC report reviews, the System may not sufficiently evaluate risks related to the use of third-party service providers. The System Office and each community college may not be able to ensure their CUECs are sufficient to support their reliance on the service providers' internal control design, implementation, and operating effectiveness. In addition, the System may face challenges in demonstrating that it is properly addressing internal control deficiencies and/or exceptions noted in the SOC reports.

Management should dedicate the necessary resources to implement planned corrective actions. The System should establish clear policies and procedures for reviewing SOC reports, including identifying which parties (the System Office, the Shared Services Center, or colleges) are responsible for reviewing the report, evaluating findings, documenting the analysis, and implementing CUECs.

2024-08: Strengthen Interdepartmental Communications Related to Terminated Employees
Type: Internal Control and Compliance
Severity: Significant Deficiency
First Reported: Fiscal Year 2018

Our prior year audit found that the System did not follow policies and procedures for employee terminations to ensure the timely and proper removal of terminated employees across the System. Management informed us that corrective action remained ongoing throughout the fiscal year 2024 audit period. As management plans to complete corrective action after the fiscal year under review, we will evaluate whether the corrective action achieved the desired result during the fiscal year 2025 audit.

The System's Security Standard states the System will remove access rights of all employees upon termination within five business days or 24 hours in instances of for-cause terminations. Further, the Security Standard 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 System. Further, when an employee has access to the Commonwealth's purchasing system, a web-based application accessible from anywhere, removing a user from the college's internal network is not sufficient as System must deactivate the terminated employee's user ID.

Management should continue implementing planned corrective action, to include strengthening communication among supervisors, the Human Resources department, and the Information Technology department within individual colleges to effectively reduce instances in which the length of time between employee termination and removal of system access exceeds the timeframe allocated in their policies and procedures. They should also provide additional training as required for members of the departments in managerial positions to improve the timeliness of communication for system access removal.

2024-09: Strengthen Controls to Remove Access for Terminated Employees in the Commonwealth's Retirement Benefits System
Type: Internal Control and Compliance
Severity: Significant Deficiency

The System does not have sufficient controls to ensure timely removal of user access to the Commonwealth's retirement benefits system (retirement benefits system). As a result, six of 38 users tested (16%) retained access nine days to 11 years after their employment ended.

The System's Security Standard requires disabling system access within five business days of employee separation. Further, management should review users' access rights at regular intervals; at least annually; and after any changes in employment. Similarly, the Virginia Retirement System's (Retirement System) Employer Manual requires each employer's Primary Security Administrator and Primary Administrative Authority to periodically review and certify the accuracy of users within the retirement benefits system. Failure to remove system access promptly increases the risk of

unauthorized use, unauthorized changes, and compromised data integrity. The System did not remove access timely due to oversight, organizational transitions resulting in loss of staff and knowledge, and limited available personnel.

The System should implement a formal process to ensure the colleges remove unnecessary access to the retirement benefits system promptly upon employee separation. Additionally, the System should perform regular reviews of user access to confirm continued appropriateness and compliance with System and Retirement System requirements.

2024- 10: Review and Update Information Technology Security Policies and Procedures
Type: Internal Control and Compliance
Severity: Significant Deficiency
First Reported: Fiscal Year 2023

Our prior-year audit found that the System does not document its review of its Security Standard or related information security policies and procedures. Additionally, the System did not update the Security Standard and related policies and procedures to reflect the newest version of the ISO Standard. Management informed us that corrective action remained ongoing throughout the fiscal year 2024 audit. As management plans to complete corrective action after the fiscal year under review, we will evaluate whether the corrective action achieved the desired result during the fiscal year 2025 audit.

The Security Standard requires the System to review the VCCS information security program, including the security policy and security standards, annually during the first quarter of the calendar year. The ISO Standard requires review of the information security policy and topic-specific policies at planned intervals and if significant changes occur.

Management should continue implementing planned corrective action, to include the dedication of resources necessary to implement a formal process to document its annual review and revisions to its Security Standard and supporting policies and procedures. The System should also complete its project to update its Security Standard, policies, and procedures to reflect the current version of its adopted security standard, which will help ensure the adequacy of the System's information security program.

2024-11: Improve Bank Reconciliation Policies and Procedures
Type: Internal Control and Compliance
Severity: Significant Deficiency

The System is not consistently preparing, reviewing, documenting, or resolving variances in their reconciliations in a timely and accurate manner. The following issues were noted for the five colleges selected:

- One out of five colleges (20%) did not reconcile a local account during fiscal year 2024 and did not report the account to the Department of Treasury as containing public funds as required by the Virginia Security for Public Deposits Act (SPDA);

- Two out of five colleges (40%) did not properly prepare the reconciliations as the balances on the reconciliations did not agree to the general ledger; and

- Five out of five colleges (100%) did not prepare reconciliations timely or lacked evidence showing the date of preparation or review.

CAPP Manual Topic 20905 states agencies may not certify reconciliations as complete until the agency has specifically and completely identified all reconciling items and made corrections at the transaction level. Further, best practices suggest that the System should complete a reconciliation prior to issuance of the following month to ensure that transactions are correct. By not completing and addressing reconciling items timely, the System increases the risk of recording inaccurate information in the System's financial statements. Further, §§ 2.2-4400 through 2.2-4411 of the Code of Virginia requires that all public deposits not held by the Department of Treasury must be reported by the state agency as a public deposit to the Department of Treasury.

Management indicated that staff shortages, turnover in key positions, insufficient written policies and procedures, clerical errors, and the implementation of new bank-reconciliation processes contributed to delays and hindered the proper documentation and accuracy of reconciliations. Additionally, one college reported that its general ledger balances did not reconcile to bank balances for fiscal years 2020 through 2023 because the college did not record certain accounting entries until fiscal year 2024, and those entries did not capture prior-year activity.

Untimely preparation and review of bank reconciliations reduce the ability to detect and correct errors, irregularities, or potential fraud promptly. Reconciliation balances that do not agree to the general ledger increase the risk of inaccurate financial reporting and potential misstatements in the System's financial statements. Failure to reconcile local accounts and report public accounts as required by SPDA increases the risk of non-compliance with state reporting requirements and limits oversight of public deposits. Clerical errors further undermine the reliability of financial data and may delay the resolution of variances.

The System should allocate sufficient resources to ensure colleges have adequate staffing to prepare, review, and document reconciliations accurately and timely. Management should also provide appropriate training and written desk procedures to enable staff to properly perform bank reconciliations in accordance with CAPP Manual Topic 20905 and established best practices. Additionally, the System should review bank accounts to confirm that colleges have properly reported the accounts as public deposits in accordance with the SPDA.

2024-12: Improve IT Asset Management Procedures
Type: Internal Control and Compliance
Severity: Significant Deficiency
First Reported: Fiscal Year 2023

The System has made progress documenting specific procedures for the secure surplus and disposal of media in accordance with the ISO Standard. However, the System does not define the following elements within its policy and procedure for its surplus and disposal process:

- The requirements and process for wiping and sanitizing information technology (IT) assets the System will re-use.
- The specific period of time to retain the IT asset before wiping for re-use or to schedule transfer to the System's third-party vendor for disposal.
- The individual designated as responsible for the electronic data removal process.
- Testing the effectiveness of data removal by someone independent of the organizational unit performing the data removal.
- Certifying the data removal from media that will be re-used and maintaining a record of the certification.
- A process to reconcile IT asset records with the destruction certification records received from its third-party vendor.
- A process to ensure that any applicable license agreements are followed prior to the surplus or disposal of media.

The ISO Standard requires the System to define information security and topic-specific policies and procedures that include principles to guide all activities relating to information security, such as asset management. The policy and procedure should define the System's process to manage storage media through their life cycle of acquisition, use, transportation, and disposal to ensure only authorized disclosure, modification, removal, or destruction. Without defining all parts of its media surplus and disposal process within its policy and procedure, the System increases the risk of unauthorized disclosure, modification, removal, or destruction of information on storage media. Additional risks for not formally defining the process within the policy and procedure include inaccurate asset tracking, non-compliance with federal privacy statutes, inefficient operations, inconsistent practices, and a lack of accountability.

The System has prioritized its resources and attention to updating its information security program and guidelines to align with the National Institute of Standards and Technology Publication 800-53, which contributed to the weaknesses identified. Additionally, the System has experienced resource

constraints after turnover in key positions over the last two years, including the Chief Information Officer, Chief Information Security Officer, and the Director of Infrastructure.

The System should review and improve its media surplus and disposal policy and procedure to define the missing elements mentioned above. Additionally, the System should implement the new policy and procedure to ensure its staff perform and document the required processes in a consistent manner. Improving the policy and procedure will help ensure the implemented process is consistently performed and maintain the confidentiality of the System's sensitive and mission-critical data.

2024-13: Comply with Employment Eligibility Requirements
Type: Internal Control and Compliance
Severity: Significant Deficiency
First Reported: Fiscal Year 2022

Our prior-year audit found that one college in the System did not have sufficient processes and controls over the employment eligibility process. Management informed us that corrective action remained ongoing throughout the fiscal year 2024 audit period. As management plans to complete corrective action after the fiscal year under review, we will evaluate whether the corrective action achieved the desired result during the fiscal year 2025 audit.

The Immigration Reform and Control Act of 1986 requires that all employees hired after November 6, 1986, have a Form I-9 completed to verify both employment eligibility and identity. The U.S. Department of Homeland Security's Instructions for Form I-9 Employment Eligibility Verification states that the employee must sign their I-9 form on the first day of employment or before if they accept the job offer. The employer is responsible for reviewing Section 1 and requiring the employee to update any incorrect or missing information with the employee's initials and date of correction beside the update. Additionally, the employer is responsible for completing Section 2 to include examination of evidence pertaining to employment authorization and identity within three business days of the employee's first day of employment.

Not complying with federal regulations related to employment verification could result in civil and/or criminal penalties and disbarment from government contracts. Management should continue implementing planned corrective action, to include evaluating current procedures for completion and retention of the I-9 form, and implement corrective action to prevent future noncompliance.

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August 24, 2026

The Honorable Abigail D. Spanberger
Governor of Virginia

Joint Legislative Audit
and Review Commission

State Board for Community Colleges
Virginia Community College System

David Doré
Chancellor, Virginia Community College System

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, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated August 24, 2026. Our report includes a reference to other auditors who audited the financial statements of the component units of the Virginia Community College System, as described in our report on the Virginia Community College System's financial statements. The other auditors did not audit the financial statements of the component units of the System in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component units of the System.

Report on 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 (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section titled "Internal Control and Compliance Findings and Recommendations," we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency titled "2024-01: Strengthen Capital Asset Management and Financial Reporting Controls," which is described in the section titled "Internal Control and Compliance Findings and Recommendations," to be a material weakness.

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. We consider the deficiencies which are included in the section titled "Internal Control and Compliance Findings and Recommendations" in finding numbers 2024-02 through 2024-13 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings and recommendations with the following finding numbers: 2024-03, 2024-04, 2024-08, 2024-09, 2024-10, 2024-11, 2024-12, and 2024-13.

The System's Response to Findings

We discussed this report with management at an exit conference held on September 2, 2026. Government Auditing Standards require the auditor to perform limited procedures on the System's response to the findings identified in our audit, which is included in the accompanying section titled "Virginia Community College System – Report Response." The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

The System has not taken adequate corrective action with respect to the prior reported findings identified as ongoing in the Status of Prior Findings included in Appendix II. The System has taken adequate corrective action with respect to the prior audit findings identified as complete in the Status of Prior Findings included in Appendix II.

Purpose of this Report

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

ACS/vks

SCHEDULE OF FINDINGS

Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2024-01	Strengthen Capital Asset Management and Financial Reporting Controls	Ongoing	2021
2024-02	Improve Internal Controls over Journal Entry Approval	Ongoing	2024
2024-03	Improve Monitoring of Critical System Access	Ongoing	2018
2024-04	Improve Firewall Security	Ongoing	2024
2024-05	Strengthen Processes Over Recording Student Fee Rates and Associated Revenue	Ongoing	2024
2024-06	Improve Consistency in Accounting for Pell Grants and Equipment Trust Fund Activity	Ongoing	2024
2024-07	Develop and Implement a Process to Maintain Oversight Over Third-Party Service Providers	Ongoing	2019
2024-08	Strengthen Interdepartmental Communications Related to Terminated Employees	Ongoing	2023
2024-09	Strengthen Annual Access Review of the Commonwealth's Retirement Benefits System	Ongoing	2024
2024-10	Review and Update Information Technology Security Policies and Procedures	Ongoing	2023
2024-11	Improve Bank Reconciliation Policies and Procedures	Ongoing	2024
2024-12	Improve IT Asset Management Procedures	Ongoing	2023
2024-13	Comply with Employment Eligibility Requirements	Ongoing	2022

* A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end.

STATUS OF PRIOR FINDINGS

(Alphabetical Order by Entity)

We perform our audit of the System's financial statements in a manner that aligns with risk and ensures comprehensive coverage over material financial statement line items and related amounts disclosed in the notes to the financial statements. In addition, we perform a separate review using an Internal Control Questionnaire (ICQ) process for System colleges with less risk and financial activity. Moving forward, prior findings for colleges subject to the ICQ process will not be included in the Schedule of Findings as we will conduct follow-up procedures on those findings as part of the ICQ process and will issue a separate report. Likewise, we began issuing individual reports at the System colleges in fiscal year 2024 over testing of the Student Financial Assistance federal program in support of the fifth-year interim report and 10-year reaffirmation of accreditation.

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Blue Ridge Community College – Student Financial Aid			
2023-30	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2023
2023-31	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2023
2023-32	Properly Return Unearned Title IV Aid to Department of Education	Not in Scope**	2023
2023-33	Promptly Disburse Credit Balances to Students	Not in Scope**	2023
2023-34	Improve Reporting to National Student Loan Data System	Not in Scope**	2019
Brightpoint Community College			
2023-20	Comply with the 1,508 Hour Rule for Wage Employees	Not in Scope*	2023
2023-21	Improve Internal Controls over Employee Termination Process	Not in Scope*	2023
2023-22	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	Not in Scope*	2019
2023-23	Perform Annual Access Review of the Commonwealth's Retirement Benefits System	Complete	2022
2023-24	Comply with Employment Eligibility Requirements	Not in Scope*	2022
2023-25	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Brightpoint Community College – Student Financial Aid			
2021-40	Strengthen the Schedule of Expenditures of Federal Awards Process	Not in Scope**	2021
2021-41	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2021
2021-42	Improve Reporting to the Common Origination and Disbursement System	Not in Scope**	2021
2021-43	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2021
2021-44	Properly Perform Return of Title IV Calculations	Not in Scope**	2021
2021-45	Improve Federal Direct Loan Reconciliations	Not in Scope**	2021
2021-46	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Not in Scope**	2021
2021-47	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2021
Camp Community College – Student Financial Aid			
2023-51	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2023
2023-52	Promptly Disburse Credit Balances to Students	Not in Scope**	2023
2023-53	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2023
2023-54	Reconcile Federal Account	Not in Scope**	2023
2023-55	Strengthen the Schedule of Expenditures of Federal Awards Process	Not in Scope**	2023
Central Virginia Community College – Student Financial Aid			
2022-67	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022
2022-68	Promptly Disburse Credit Balances to Students	Not in Scope**	2022
2022-69	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2018
2022-70	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Not in Scope**	2022
2022-71	Properly Perform Return of Title IV Calculations	Not in Scope**	2022
2022-72	Improve Federal Direct Loan Reconciliations	Not in Scope**	2022
2022-73	Improve Notification Process for Federal Awards to Students	Not in Scope**	2022

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2022-74	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-75	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2022
Danville Community College			
2023-36	Improve Financial Reporting of Capital Assets and Right-to-use Intangible Assets	Ongoing (2024-01)	2023
Danville Community College – Student Financial Aid			
2020-41	Reconcile Federal Aid Programs Timely	Not in Scope**	2020
2020-42	Promptly Disburse Credit Balances to Students	Not in Scope**	2020
2020-43	Properly Manage Return of Title IV Funds	Not in Scope**	2020
2020-44	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2020
2020-45	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Not in Scope**	2020
2020-46	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Not in Scope**	2020
2020-47	Improve Direct Loan Quality Assurance Program	Not in Scope**	2020
2020-48	Improve Notification Process for Federal Direct Loan Awards to Students	Not in Scope**	2020
2020-49	Improve Reporting to the Common Origination and Disbursement System	Not in Scope**	2020
2020-50	Ensure Student System Roles are Assigned Properly	Not in Scope**	2020
2020-51	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2020
Eastern Shore Community College			
2023-38	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Complete	2022
Eastern Shore Community College – Student Financial Aid			
2023-39	Properly Report CIP Codes in Federal Systems	Not in Scope**	2023
2023-40	Promptly Disburse Credit Balances to Students	Not in Scope**	2023
2023-41	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2023
2023-42	Reconcile Federal Account	Not in Scope**	2023
2023-43	Promptly Return Unearned Title IV Aid to Department of Education	Not in Scope**	2023

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2023-44	Properly Perform Return of Title IV Calculations	Not in Scope**	2023
2023-45	Promptly Identify Title IV Withdrawals	Not in Scope**	2023
2023-46	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2023
2023-47	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2023
2023-48	Improve Reporting to National Student Loan Data System	Not in Scope**	2017
Germanna Community College			
2023-35	Improve Financial Reporting of Capital Assets and Right-to-use Intangible Assets	Ongoing (2024-01)	2023
Germanna Community College – Student Financial Aid			
2022-36	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022
2022-37	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2022
J. Sargeant Reynolds Community College			
2023-29	Improve Financial Reporting of Capital Assets and Right-to-use Intangible Assets	Ongoing (2024-01)	2023
J. Sargeant Reynolds Community College – Student Financial Aid			
2018-77	Improve Direct Loan Reconciliations	Not in Scope**	2018
2018-78	Resolve Federal Department of Education Findings	Not in Scope**	2018
Laurel Ridge Community College – Student Financial Aid			
2022-21	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022
2022-22	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2022
2022-23	Strengthen the Schedule of Expenditures of Federal Awards Review Process	Not in Scope**	2022
2022-24	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-25	Improve Return of Title IV Calculation Processes	Not in Scope**	2022
2022-26	Improve Federal Direct Loan Reconciliations	Not in Scope**	2022
2022-27	Improve Notification Process for Federal Awards to Students	Not in Scope**	2022
Mountain Gateway Community College – Student Financial Aid			
2022-61	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2022-62	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Not in Scope**	2022
2022-63	Promptly Identify Title IV Withdrawals	Not in Scope**	2022
2022-64	Provide Timely Notification of Disbursements to Students	Not in Scope**	2022
2022-65	Improve Reporting to National Student Loan Data System	Not in Scope**	2018
2022-66	Properly Complete Verification Prior to Disbursing Title IV Aid	Not in Scope**	2022
New River Community College			
2023-50	Improve Financial Reporting of Capital Assets and Right-to-use Intangible Assets	Ongoing (2024-01)	2023
New River Community College – Student Financial Aid			
2022-49	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022
2022-50	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2022
2022-51	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2022
2022-52	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-53	Strengthen the Schedule of Expenditures of Federal Awards Review Process	Not in Scope**	2022
Northern Virginia Community College			
2023-12	Improve Internal Controls over Prepaid Expenses	Complete	2023
2023-13	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Ongoing (2024-08)	2019
2023-14	Improve the Monitoring of Critical System Access	Ongoing (2024-03)	2021
2023-15	Comply with Employment Eligibility Requirements	Ongoing (2024-13)	2022
2023-16	Properly Record Asset Acquisition Dates	Ongoing (2024-01)	2022
2023-17	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Patrick & Henry Community College			
2023-49	Improve Financial Reporting of Capital Assets	Ongoing (2024-01)	2023
Patrick & Henry Community College – Student Financial Aid			
2022-45	Improve Documentation When Handling Federal Funds	Not in Scope**	2022
2022-46	Improve Compliance over Title IV Calculations and Returns	Not in Scope**	2022
2022-47	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2022
2022-48	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
Piedmont Virginia Community College			
2023-37	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022
Piedmont Virginia Community College – Student Financial Aid			
2018-32	Return Unearned Title IV Funds Timely	Not in Scope**	2018
2018-33	Perform Accurate Return of Title IV Calculations	Not in Scope**	2018
2018-34	Reconcile Federal Aid Programs Timely	Not in Scope**	2018
2018-35	Improve Reporting to National Student Loan Data System	Not in Scope**	2018
Rappahannock Community College			
2023-56	Improve Financial Reporting of Capital Assets	Ongoing (2024-01)	2023
Rappahannock Community College – Student Financial Aid			
2023-57	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2023
2023-58	Properly Return Unearned Title IV Aid to Department of Education	Not in Scope**	2023
2023-59	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2023
2023-60	Reconcile Federal Account	Not in Scope**	2023
2023-61	Properly Complete Federal Verification Prior to Disbursing Title IV Aid	Not in Scope**	2023
2023-62	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2023
2023-63	Improve Reporting to National Student Loan Data System	Not in Scope**	2017

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Southside Virginia Community College – Student Financial Aid			
2022-38	Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Not in Scope**	2022
2022-39	Improve Return of Title IV Calculation Processes	Not in Scope**	2022
2022-40	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-41	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2022
Southwest Virginia Community College – Student Financial Aid			
2020-52	Reconcile Federal Funds Timely	Not in Scope**	2020
2020-53	Properly Manage Return of Title IV Funds	Not in Scope**	2020
2020-54	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2020
2020-55	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2020
2020-56	Ensure Student Status Changes are Reported Accurately and Timely	Not in Scope**	2020
2020-57	Ensure Student System Roles as Assigned Properly	Not in Scope**	2020
2020-58	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Not in Scope**	2020
2020-59	Improve Reporting to the Common Origination and Disbursement System	Not in Scope**	2020
2020-60	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2020
System Office			
2023-01	Improve Financial Reporting Review Process	Ongoing (2024-01)	2023
2023-02	Improve Policies and Procedures for Capital Assets	Ongoing (2024-01)	2021
2023-03	Strengthen Controls over Capital Asset Monitoring and Reporting	Ongoing (2024-01)	2023
2023-04	Improve Internal Controls Over Prepaid Expense Calculations	Complete	2023
2023-05	Review and Update Information Technology Security Policies and Procedures	Ongoing (2024-10)	2023
2023-06	Develop and Implement IT Asset Management Procedures	Ongoing (2024-12)	2023

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2023-07	Improve the Monitoring of Critical System Access	Ongoing (2024-03)	2023
2023-08	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	Ongoing (2024-07)	2019
2023-09	Continue to Improve Procedures for Employee Separation	Ongoing (2024-08)	2020
2023-10	Improve Database Security	Complete	2022
2023-11	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022
Tidewater Community College			
2023-18	Strengthen Interdepartmental Communications Related to Terminated Employees	Ongoing (2024-08)	2018
2023-19	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022
Tidewater Community College – Student Financial Aid			
2021-17	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2020
2021-18	Report Student Enrollment Changes Accurately and Timely to National Student Loan Data System	Not in Scope**	2018
Virginia Highlands Community College			
2023-64	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Ongoing (2024-01)	2022
Virginia Highlands Community College – Student Financial Aid			
2022-80	Perform an Evaluation of Student Information System Access Roles for College Personnel	Not in Scope**	2022
2022-81	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-82	Properly Reconcile Federal Bank Accounts	Not in Scope**	2022
2022-83	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2022
2022-84	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2022

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Virginia Peninsula Community College			
2023-26	Improve Financial Reporting of Capital Assets	Ongoing (2024-01)	2023
Virginia Peninsula Community College – Student Financial Aid			
2020-29	Reconcile Federal Aid Programs Timely	Not in Scope**	2020
2020-30	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2020
2020-31	Report Student Status Changes Accurately and Timely to National Student Loan Data System	Not in Scope**	2020
2020-32	Improve Notification Process for Federal Direct Loan Awards to Students	Not in Scope**	2020
2020-33	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2020
2020-34	Properly Complete Exit Counseling for Direct Loan Borrowers	Not in Scope**	2020
2020-35	Ensure Student Information System Roles are Assigned Properly	Not in Scope**	2020
2020-36	Improve Direct Loan Quality Assurance Program	Not in Scope**	2020
2020-37	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2020
Virginia Western Community College			
2023-27	Improve Internal Controls over Financial Reporting of Leases under GASB Statement No. 87	Complete	2023
2023-28	Improve Financial Reporting of Capital Assets	Ongoing (2024-01)	2023
Virginia Western Community College – Student Financial Aid			
2022-28	Reconcile Federal Fund Accounts	Not in Scope**	2022
2022-29	Improve Federal Direct Loan Reconciliations	Not in Scope**	2022
2022-30	Properly Reconcile Federal Bank Accounts	Not in Scope**	2022
2022-31	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Not in Scope**	2022
2022-32	Improve Reporting to National Student Loan Data System	Not in Scope**	2022
2022-33	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2022
Wytheville Community College – Student Financial Aid			
2020-64	Reconcile Federal Funds Timely	Not in Scope**	2020

Entity/Report Finding Number	Finding Title	Status of Corrective Action*	Fiscal Year First Reported
2020-65	Perform Federal Direct Loan Reconciliations Timely	Not in Scope**	2020
2020-66	Promptly Return Unclaimed Aid to Department of Education	Not in Scope**	2020
2020-67	Ensure Student Status Changes are Reported Accurately and Timely	Not in Scope**	2020
2020-68	Ensure an Accurate FISAP is Submitted to Department of Education	Not in Scope**	2020
2020-69	Enhance Notification for Borrowers that have not Completed Exit Counseling	Not in Scope**	2020
2020-70	Ensure Student System Roles are Assigned Properly	Not in Scope**	2020
2020-71	Improve Direct Loan Quality Assurance Program	Not in Scope**	2020
2020-72	Improve Federal Direct Loan Borrower Notification Process	Not in Scope**	2020
2020-73	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Not in Scope**	2020

*A status of **Complete** indicates adequate corrective action taken by management. A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end. A status of **Not in Scope** indicates we will follow up on management's assertion that corrective action has been taken at the referenced project.

**This finding is not in scope and will be followed up when the college is considered in scope as part of the ICQ project for that year.

***This finding is not in scope will be followed up when the college is considered in scope as part of the fifth-year interim report or 10-year reaffirmation of accreditation Student Financial Assistance audit for that year.

September 10, 2026

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

Dear Ms. Henshaw:

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, 2024.

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 Tommy Wright, VCCS Senior Vice Chancellor for Finance and Operations at (804) 819-4000.

Sincerely,

David A. Doré

David Dore'
Chancellor

Enclosure

cc: Dr. Tommy Wright

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