REVIEW OF
ONE CARD PROGRAMS AT
VIRGINIA'S STATE-SUPPORTED
UNIVERSITIES

JUNE 2009

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

SUMMARY

Virginia's state-supported colleges and universities have adopted electronic cards (One Cards) that allow a wide range of usage by students and faculty. These cards allow students and faculty access to residence halls, dining, and academic buildings, as well as give students the ability to deposit funds on accounts to make purchases, both on and off-campus. The objective of this report is to review the usage, controls, accounting, and contracting practices among the various colleges and universities.

Virginia's state-supported colleges and universities implemented their One Card programs over time and therefore, we noted the following:

- the functionality and features of the One Card differ significantly between universities; and

- universities experience different implementation and administrative costs depending on various features of their One Card programs.

Additionally, we found the following:

- controls over One Card issuance are generally adequate to ensure that only appropriate individuals are issued One Cards;

- universities have proper accounting controls to ensure they process only authorized One Card transactions;

- universities could enhance their data security by ensuring their policies and procedures are similar to those required by Payment Card Industry Data Security Standards since One Card usage is similar to credit cards; and

- universities are properly reporting One Card balances in their annual financial statements.

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INTRODUCTION

Background

Virginia's state-supported colleges and universities have an electronic campus card for their students, faculty, and staff. These electronic campus cards and supporting computer applications are commonly called "One Cards" because the cards combine several features or functions in a single plastic card with a magnetic stripe or bar code. A One Card operates as the university's official identification card, as well as the meal card, library card, room and building access card, and various other functions.

The One Card gives students access to on-campus cafeterias based on a meal plan purchase; however, university meal plans now offer students many other options in addition to traditional cafeteria meals. All but one of the universities allow meal plan value on the One Card for use at on-campus cafés and nearly all of the universities use the One Card debit feature to allow students to use their One Card at off-campus restaurants.

The One Card can also tie to a university financial account that allows on-campus purchases at the bookstore or with stores in the community. At many universities, the One Card permits everyday purchases at local merchants including hair salons, grocery stores, and gas stations. At some universities, students can also pay town parking tickets. Virginia Commonwealth University also has a contract with a bank to tie a student's One Card to their checking account, making their One Card also function as their bank debit card.

Objective, Scope, and Methodology

The purpose of this review of the One Card systems among the colleges and universities is to determine the nature of the various programs, the appropriateness of the internal accounting and security controls, basis for financial reporting; including any potential liabilities; and determine if there were any similarities of operation.

We researched university websites, policies, and procedures to gain our initial understanding of the One Card programs. We surveyed all fourteen, four-year, state-supported universities regarding services provided through the One Card, controls over the issuance and use of the card, data security, and controls over accounting and reporting for One Card transactions. We interviewed personnel in the One Card and university business offices. We reviewed and compared each of the university One Card contracts, internal accounting and security policies and procedures, and annual financial reporting information to other colleges and universities.

All colleges and universities use their One Card as a student identification card and building access card. At Virginia Military Institute, the One Card serves only as student identification and building access card with no other functionality; therefore, this report does not include Virginia Military Institute in its discussions and comparisons.

Part 1: Features and Functions

All colleges and universities use the One Card as a student identification card and building access card. All cards have the student or user's picture and a magnetic coding to control access to both the university campus and individual buildings and rooms on-campus.

Meal Plans

All universities use the One Card for meal plan access, including the use of flex dollars at on-campus cafés. Students can purchase meal plans that allow them a certain number of meals each week at main campus dining halls and an amount to pay for food at other on-campus cafés.

Longwood University and Norfolk State University do not currently allow students to use the One Card at any off-campus restaurants or vendors. Longwood uses their food services vendor to operate the meal plan function of the One Card. At both Longwood and Norfolk State, students, or their parents, can deposit additional funds to the One Card for use at on-campus cafés. Norfolk State does allow on-campus usage at vending machines, laundry, and the bookstore.

Longwood is planning to expand their One Card services and plans to manage all services in-house. The remaining universities allow students to use the One Card debit function at certain off-campus restaurants.

Financial Accounts

Many of the universities allow students, or their parents, to create a financial account tied to the One Card for use at certain on-campus sites or at off-campus vendors. Chart 1 shows a matrix of the features or functionality by the universities on their One Cards. On-campus purchases that students can make include bookstore, laundry machines, drinks or snacks from vending machines, sports or performance tickets, printing, and parking.

Off-campus vendors must have a contract with the university or a third party vendor that allows them to accept and process the One Card like a debit card transaction. Universities or third party vendors have contracts with restaurants, grocery stores, and other nearby vendors. The advantage to allowing students to use these cards at off-campus locations is the convenience and safety for the students when they do not have to carry cash in the community.

Only the College of William and Mary, Norfolk State University, and Virginia State University allow students to credit financial aid to their One Card. When a student's financial aid award exceeds their tuition and fees, these three universities allow the student to request to have the amount added to their One Card instead of receiving a separate check. This process allows the student to purchase books at the bookstore, additional meals on or off-campus, or pay for other expenses.

Virginia Commonwealth University has an agreement with a bank with on-campus locations to have the One Card serve as the student's debit card, thus allowing access to their bank account. This access is separate from the university accounts that students can use for either meal plan flex dollars or at off-campus vendors.

One Card Features and Functions
Chart 1

	CNU	CWM	GMU	JMU	LU	NSU	ODU	RU	UMW	UVA	VCU	VSU	VT
FUNCTIONS													
Building/Dorm Access	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Dining Hall	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Café/Snack Bar	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Flex Dollars	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Bookstore	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Vending Machines	✔	✔		✔		✔	✔	✔	✔	✔	✔	✔	✔
Off-Campus	✔	✔	✔	✔			✔	✔	✔		✔	✔	✔
Laundry	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Transportation		✔	✔	✔						✔	✔		✔
Parking	✔	✔	✔	✔		✔	✔			✔	✔		✔
Sports Games	✔	✔	✔	✔		✔	✔			✔	✔	✔	✔
Pay for printing	✔	✔	✔	✔				✔	✔	✔	✔	✔	✔
Financial aid disbursements/refunds applied to card		✔				✔						✔	
ATM											✔		

Part 2: Issuance Controls and Customer Service

Each university has an office that prepares and issues the One Card to the students with their picture and the appropriate coding to identify their account. The One Card design offers clear marking showing it as a university identification card that is non-transferable and unique.

With the exceptions of Virginia Military Institute and Longwood University, each university has a process to allow financial transactions including adding money to the One Card accounts and refunding balances. While all universities provide support or help services during business hours, including replacement of lost or stolen cards, only six universities provide after-hours support.

Each university has control processes in place over the security of blank card stock and the prevention of unauthorized access to the accounts. Additionally, each university's documented control processes require the requestor of a One Card be an active university student, faculty, affiliate, or staff and as such must be in the administrative system (student information or human resources data base).

Overview of the Typical One Card Process

- Only enrolled students, faculty, affiliates, and staff members can obtain a One Card and open an account.
- The Requestor must present a form of identification at the One Card office and the office must validate the information against the appropriate University administrative system.
- The One Card will have card user's name, photo, and university-issued ID number, but neither the face of the card or other media can contain sensitive data.
- The One Card servers and readers are on secure networks.
- Each One Card has a unique magnetic stripe and card code which makes it the only card that can access the user's account.
- If a One Card is lost or stolen, the card user reports the incident to the One Card office in person, by email or phone, or on the One Card website.

    - Some universities charge a replacement fee of $15 to $25.
    - A cardholder can at some universities obtain a temporary replacement card during non-office hours.
    - The cardholder bears responsibility for all purchases made until they notify the One Card Office of the loss. The One Card Office does have the ability to grant requests for refunds of unauthorized purchases in certain circumstances.
    - Universities only issue replacement cards during normal business hours.

- The proximity features of the One Card prevent the card from copying and unauthorized duplication.
- The card user must contact the One Card office during office hours and, if available, can contact the Help Desk or Technology Services, if their card does not work or a vendor unexpectedly declines the card.
- The card user can add money to their account in person at the One Card office and at some universities the card holder can add money to their accounts using various locations on campus, on-line by credit card, or on a cash-to-card machine.

- It is not possible to have an overdraft on a One Card account, unless the server or reader is off-line.
- The university refunds balances remaining on the One Card account when the card user leaves the university, either in full or less a processing fee, either automatically or when requested. If funds remain after one year, the One Card office may have the option of retaining the money.
- Reconciliations are performed daily and monthly for deposits and purchases.

Off-Campus Transactions

All universities allow off-campus transactions on the One Card accounts, except University of Virginia, Norfolk State University, Longwood University, and Virginia Military Institute.

- The university contracts with a third-party provider (such as Blackboard) to process off-campus transactions; however, the College of William and Mary, Radford University, University of Mary Washington, and Virginia Tech manage their own systems.
- The merchant installs a separate card-reading device to read the university One Card which enables the vendor to electronically transmit transactions for processing. The merchant can rent, lease, or purchase the card reader equipment depending on the contract terms.
- In order to process transactions, third-party providers connect to university systems through a secure connection. However, merchants generally do not store or print any personally-identifiable data at the point of sale.
- Merchants verify One Card account balances with the universities before accepting each charge transaction which ensures no account overdraft occurs.
- Payment card industry standards do not apply to the university One Card since it is not a credit card or bank-issued card.
- While contracts differ regarding off-campus vendors, generally universities receive a 3 to 5 percent commission from off-campus vendors based on usage.
- Payments from the university to third-party providers or off-campus merchants can occur daily or at different intervals throughout the month. Payment can also be electronic or by check. In some instances, such as at Virginia Commonwealth University, the University will pay the third party provider rather than the merchant and the provider pays the merchant after taking their service fee.

Our evaluation concluded that universities have adequately designed controls for One Card system applications and their usage. However, universities could enhance their data security by ensuring their policies and procedures are similar to those required by Payment Card Industry Data Security Standards since One Card usage is similar to credit cards.

Chart 2 provides a summary of the controls each institution uses to ensure the One Card is issued to an authorized individual.

One Card Issuance Controls and Customer Services
Chart 2

	CNU	CWM	GMU	JMU	LU	NSU	ODU	RU	UMW	UVA	VCU	VSU	VT
CUSTOMER SERVICE/CONTROLS													
The institution has a One Card or ID Office providing customer service for their One Card.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Procedures are in place to replace lost or stolen cards reported:													
- During office hours.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
- After office hours.	✔	✔	✔	✔	✔								
Students and employees must be active in the appropriate administrative data base to receive a card.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Identification is required to issue a One-Card.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Procedures are in place to prevent identity theft or card access by unauthorized individuals.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Unused cardstock is secured.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
The institution will return funds if a card is used after it is reported lost or stolen.	✔		✔		✔		✔	✔		✔	✔		✔

Part 3: Accounting and Reporting Controls

We found that One Card accounting controls at universities are sufficient to ensure the following.

- Proper deposit of funds collected to the appropriate account.
- Appropriate authorization of card transactions.
- Proper recording of collections, disbursements, and other transactions in the accounting system.
- Timely reconciliations of One Card balance to the university's accounting system.
- Appropriate disclosure of liabilities and outstanding obligations in the financial statements.

One Card Accounting and Reporting Controls
Chart 3

	CNU	CWM	GMU	JMU	LU	NSU	ODU	RU	UMW	UVA	VCU	VSU	VT
ACCOUNTING/REPORTING					**Note 1**								
Procedures are in place to ensure proper authorization of recorded account transactions from card uses.	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Reconciliations are performed to ensure funds collected are deposited and added to the appropriate accounts.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Collections, disbursements, and other transactions related to the One-Card are recorded in the accounting system.	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Reconciliations are performed to ensure One-Card account balances agree to the accounting system.	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Liabilities and outstanding obligations related to account balances remaining at year end are recorded on the financial statements.	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔
Fees are charged for replacement cards or refunds.	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

Note 1: LU allows their food service provider, ARAMARK, to manage the meal plan money, including flex dollars.

Virginia's universities collected and deposited about $39 million for the fiscal year ending June 30, 2008, into One Card accounts for students, faculty, and staff. This represents an average of about $104 per One Card participant. Longwood University's meal card participant amounts goes directly to the dining services provider, and Virginia Military Institute does not have a One Card program.

Until a One Card user graduates or leaves employment at a university, the balance on their One Card can carry over from one academic or fiscal year to the next depending on the type of balance. At most universities, meal plan flex dollars expire at the end of the academic year while other deposits for non-meal plans carry over. At June 30, 2008, $2.4 million remained on deposit as shown in Table 1.

Christopher Newport University, James Madison University, and Old Dominion University allow flex dollars to remain on the One Card from one academic year to the next. In those cases, these universities report these balances as deferred revenue at year end. The universities report the balances of other amounts remaining on the One Card at year end in their financial statements as current assets and current liabilities. We concur with the universities that this is the appropriate method of reporting these balances in their annual financial statements.

While we have determined that the accounting and reporting controls documented by the universities are adequate in the circumstances, we will continue to review these controls during our annual financial statement audits of Virginia's state-supported universities.

One Card Debit Account - Deposits and Liabilities
Fiscal Year Ending June 30, 2008
Table 1

	Deposits *	Deposits Held in Custody at 6/30/08	Deferred Revenue
CNU	$ 2,289,000	$ 66,446	$ 37,115
CWM	2,631,669	335,179	-
GMU	7,195,000	232,000	-
JMU	3,566,000	-	153,147
LU	-	-	-
NSU	3,630,000	550,000	-
ODU	8,732,911	195,297	19,541
RU	1,649,000	74,000	-
UMW	1,454,616	188,989	-
UVA	3,200,000	502,000	-
VCU	1,360,000	119,000	-
VSU	40,925	9,161	-
VT	3,080,000	182,000	174,000
Totals	$38,829,121	$2,454,072	$383,803

*Represents funds collected and posted to debit accounts during the fiscal year ending June 30, 2008.
Note 1: LU allows their food service provider, ARAMARK, to manage the meal plan money.

Part 4: Implementation and Administrative Costs

We surveyed Virginia's universities on their implementation and administrative costs for One Card operations. See Table 2. Seven of the universities use one software vendor for their One Card operation while five others use another vendor and one university uses a third vendor.

Universities provided us their operating costs or budgets for One Card administrative costs for the year ended June 30, 2008. Expenses included in administrative costs were salaries, wages, supplies, equipment, yearly license fees, card stock, and other associated costs of operating the One Card Office. The comparison of the administrative costs by university also considered the number of active cards during year. The Annual Cost per Active Card ranges between $5 and $38 per card, averaging $14 per card. Differences in the average cost per card vary due to the functionality of the One Card; the age, version, and vendor of the software used; recent upgrades to software and equipment; and the number of users at a university. Virginia's state-supported universities can use the comparisons of implementation and administrative costs to help them evaluate the cost-effectiveness of their One Card programs and discuss among themselves common efficiencies that may provide cost savings.

One Card Operating Costs
Fiscal Year Ending June 30, 2008
Table 2

	Annual Costs/Budget of Operations	Number of Active Cards per Year	Annual Cost per Active Card
CNU	$ 84,139	8,125	$10
CWM	252,000	41,249	6
GMU	708,257	43,700	16
JMU	872,038	23,027	38
LU	-	5,323	-
NSU	268,043	7,200	37
ODU	275,000	27,000	10
RU	435,069	29,897	15
UMW	99,500	7,628	13
UVA	524,650	40,700	13
VCU	503,490	101,337	5
VSU	175,000	5,500	32
VT	1,199,222	42,748	28
Totals	$5,396,408	383,434	$14

Note 1: LU allows their food service provider, ARAMARK, to manage the meal plan money.

Findings and Conclusions

Virginia's state-supported colleges and universities implemented their One Card programs over time and therefore, we noted the following:

- the functionality and features of the One Card differs significantly between universities; and

- universities experience different implementation and administrative costs depending on various aspects of their One Card programs.

Additionally, we found the following:

- controls over One Card issuance are generally adequate to ensure that only appropriate individuals are issued One Cards;

- universities have proper accounting controls to ensure they process only authorized One Card transactions;

- universities could enhance their data security by ensuring their policies and procedures are similar to those required by Payment Card Industry Data Security Standards since One Card usage is similar to credit cards; and

- universities are properly reporting One Card balances in the annual financial statements.

Walter J. Kucharski, Auditor

Commonwealth of Virginia

June 2, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
 and Review Commission
General Assembly Building
Richmond, Virginia

We have completed our review of One Card programs and are pleased to submit our report entitled **Review of One Card Programs at Virginia's State-Supported Universities**. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

We had four objectives in our review of One Card programs. These objectives were to:

1. Determine the type of One Card programs used at state-supported institutions;
2. Evaluate the appropriateness of the internal accounting and security controls;
3. Review the basis for financial reporting, including any potential liabilities; and
4. Determine if there are any similarities of operation.

Scope and Methodology

In conducting this audit, we researched university websites, policies, and procedures. We obtained information through correspondence with and surveys of universities, reviews of policies and procedures, and on-site visits and interviews. We used the detailed information to compile charts and tables showing the features and functions of the One Card programs, issuance controls, accounting and reporting controls, and implementation and administrative costs.

<u>Findings and Conclusions</u>

Virginia's state-supported colleges and universities implemented their One Card programs over time and therefore, we noted that the functionality and features of the One Card differs significantly between universities and that universities experience different implementation and administrative costs depending on various aspects of their One Card programs.

Additionally, we found that the:

- controls over One Card issuance are generally adequate to ensure that only appropriate individuals are issued One Cards;

- universities have proper accounting controls to ensure they process only authorized One Card transactions;

- universities could enhance their data security by ensuring their policies and procedures are similar to those required by Payment Card Industry Data Security Standards since One Card usage is similar to credit cards; and

- universities are properly reporting One Card balances in the annual financial statements.

<u>Exit Conference and Report Distribution</u>

We shared this report with all fourteen, four-year universities on May 11, 2009. No responses were required.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

HV/clj

APPENDIX

Statistical Data on Institutions Using a One Card

	One Card Office Reporting Structure	Number of Students	One Card Employees Full Time	Part Time	Vendor	Software
CNU	Auxiliary Services	4,900	1	2	Blackboard	Universal, 2.9
CWM	Auxiliary Services	7,800	3	6	Blackboard	Optim, Unix
GMU	University Services	30,300	4	5	Blackboard	Universal Windows 2.9
JMU	Associate Vice President of Business Services	17,000	8	2	Cbord	CS Gold, 5.0.17
LU *	Chief of Police/ARAMARK	4,000	1	-	Cbord	CS Gold
NSU	Auxiliary Services	6,100	2	3	Blackboard	-
ODU	Auxiliary Services	20,000	3	4	Cbord	CS Gold, 5
RU	Director of University Services	9,200	2	1	Cbord	CS Gold, 4
UMW	Business Services	4,800	2	-	Blackboard	Envision, 2.9
UVA	Office of the Associate Vice President for Business Operations	20,400	5	1	Cbord	CS Gold, 5.0.17
VCU	Technology Services	32,000	6	12	Cbord	CS Gold, 5.0.12
VSU	Administration and Finance	5,000	2	1	Heartland Campus Solutions	Heartland 1Card Platinum, 6.6
VT	Office of the Vice President for Finance and Chief Financial Officer	29,000	10	2	Cbord	CS Gold, 5.0.15

*ARAMARK, food services vendor at LU, manages the One Card functions for the university.