



VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, and issued our report thereon, dated July 16, 2018. Our report, included in the System's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the System's website at www.vccs.edu. Our audit of the System found:

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

Our audit also included testing over federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing. These internal controls findings are in the section titled "Federal Internal Control and Compliance Findings."

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FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Findings, as they appear in the report, are grouped by the Shared Service Center (Center), the System Office, or individual colleges. There are two appendices to the report, one that lists the findings in the order they appear in the report and one that groups the findings by topic.

SHARED SERVICES CENTER

2017-01: Encourage the Communication of Responsibilities for Shared Services

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System has not implemented Service Level Agreements (agreements) between its Shared Services Center (Center) and the Community Colleges (Colleges). While less than two years old, the Center currently provides five services without detailed, approved agreements communicating the responsibilities of each party. As of April 2018, the Center provides:

- Time, labor, and absence management services to the entire system;
- Travel and expense services to the entire system, except for one college;
- Procurement and accounts payable, otherwise known as Procure to Pay, service to 17 colleges and the Virginia Community College System Office (System Office);
- Payroll services to five colleges; and
- Onboarding services to four colleges.

While the System does have draft agreements for two of the five services (40%), none of the draft agreements are signed or clearly delineate processes, procedures, and controls assigned to each entity.

System documents establishing the Center depict the agreements as a key foundational item of a successful shared services organization. The agreements are to be designed to document specific expectations and shared goals, and to facilitate the conveyance of performance metrics in the course of the Center delivering services to the colleges. Additionally, in the “Service Provider Agency” section of the Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 10305 – Internal Controls, primary agencies are strongly cautioned to ensure that agreements with service provider agencies clearly delineate processes, procedures, and controls assigned to each party to the agreement. Service agreements must ensure that both parties fully understand their respective responsibilities under the agreement, and should be updated at least annually or when significant changes occur to the services provided.

The lack of clearly communicated responsibilities can lead to a poor understanding of expectations for staff at the colleges, the System Office, and the Center. Without adequately documenting detailed internal controls and desk procedures governing each service provided, it will be difficult for management to evaluate the design of their internal controls for the System taken as a whole. Additionally, management may struggle to hold parties accountable if the controls are not implemented or operationally effective.

While System documents call for the creation of agreements and Commonwealth practices encourage detailed communication of expectations, the tone at the top of the System does not emphasize the development of detailed agreements prior to the implementation of services. For example, Senior Executive System Management indicated that the Center's activities were a service to the colleges and the students, and that the arrangement between the Center and the colleges and System Office was a partnership and therefore, agreements did not require formal signatures. Additionally, the Center's management asserted that detailed agreements were not necessary and could function well as high-level documents.

System management should encourage and support the implementation of detailed agreements. The agreements should document internal controls in sufficient detail to establish clear lanes of responsibility for all parties involved. The System should ensure that parties agree to and accept their responsibilities, which they can acknowledge by signing and dating the agreements.

2017-02: Through a Separate Evaluation, Monitor the Internal Controls of the Shared Services Center

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System has not implemented a process for monitoring, through a separate evaluation, the internal controls related to services provided by the Center. Specifically, the System has not implemented the Independent Verification & Validation (IV&V) function as designed in the documents establishing the Center's governance structure. Additionally, as required by Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts, the System has not performed an evaluation of the internal controls provided by the Center.

The Center's governance documents define successful governance as being achieved in part, by the IV&V function, which would report directly to the Management Council. IV&V, which was designed to be performed by the System's internal audit team, would fulfill several goals, including: evaluating whether colleges are fully leveraging the Center, ensuring the colleges and the Center are adhering to standard business practices, and verifying that the Center is meeting service commitments. Additionally, the CAPP Manual Topic 10305, which sets the internal control standards for the Commonwealth, requires agencies to document, evaluate, and test controls and certify to the effectiveness of internal controls.

As a result of the lack of a separate evaluation, the Chancellor, the Virginia Community College Board, and management do not have an objective evaluation that internal controls over shared services

provided by the Center to the Community College's and System Office are properly designed, implemented, or operationally effective. Additionally, the lack of a separate evaluation limits management's ability to know of internal control deficiencies on a timely basis and take corrective actions.

According to senior executive management at the System, no agreement has been reached on the amount of resources necessary to implement a separate evaluation of the Center and the services provided. Senior executive management should dedicate the necessary resources to implement a separate evaluation as planned, design and implement a different process for obtaining a separate evaluation, or, through the ARMICS certification process, formally accept the risk of not having a separate evaluation.

2017-03: Confirm that No Reconciliation is Appropriate

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The Center has not implemented a control for ensuring that no reconciliation is appropriate for employees that have zero Small Purchase Charge Card (SPCC) activity in a month. CAPP Manual Topic 20355 requires that when there are no charges for the month, the cardholder must notify their supervisor and the accounting office of that fact in writing, in lieu of reconciling the SPCC statement. CAPP Manual Topic 20355 further elaborates that the cardholder may send an email notification to the accounting office and copy their supervisor.

The lack of a notification to management that a cardholder has zero charges prevents management from knowing if it is reasonable for an employee not to complete a reconciliation for a given month. As a result, when employees do not complete the required reconciliation, management does not know if it is because of zero activity on their SPCC or the employee did not complete the required reconciliation.

As a result of the Center being a newer entity within the System, Center management was not aware of the CAPP Manual requirement for notification to supervisors for SPCC holders with zero activity in any month and did not set the expectation for staff to confirm in writing why a reconciliation was not performed. Center management should ensure staff are aware of the requirement to confirm in writing that no SPCC reconciliation is appropriate and management should use this information as a control to ensure staff are completing all required SPCC reconciliations.

2017-04: Retain Supporting Documentation for Payments

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The Center did not retain invoice documentation for two payments. One payment was done on behalf of Thomas Nelson Community College (Thomas Nelson) and the other payment was done on

behalf of Paul D. Camp Community College (Paul D. Camp). While the Center was able to obtain a copy of the vendor's invoice, it had to contact the vendor for a copy of the documentation after it made the payment.

Code of Virginia §42.1-85 of the Virginia Public Records Act, requires agencies to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency. Agencies shall be responsible for ensuring that its public records are preserved, maintained, and accessible throughout their lifecycle, including converting and migrating electronic records as often as necessary so that information is not lost due to hardware, software, or media obsolescence or deterioration. Specifically, CAPP Manual Topic 20310, requires copies of expenditure documents to be maintained on file at each agency for three years after the end of the state fiscal year.

When expenditure documentation is not retained, it is unclear whether payments were properly supported and results in an inadequate audit trail. In the case of payment disputes, lack of documentation would disadvantage the System. The Center did not retain documentation due to Center personnel having deletion capability in the Systems' document scanning and storage system. Due to the lack of internal controls surrounding the Systems' storage system, Center personnel were able to delete documentation.

Center management should ensure that expenditure documentation is retained in accordance with Library of Virginia retention requirements set forth in the Virginia Public Records Act and CAPP Manual Topic 20310. The System should improve internal controls over user access and deletion capabilities in the Systems document scanning and storage system.

SYSTEM OFFICE

2017-05: Improve Effectiveness of System Access Controls

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System Office has not provided adequate reference tools for the colleges with respect to the access roles and abilities of those roles in the System's administrative system or student system. Individual colleges could be unaware of assigned role definitions as well as preferences needed to reduce the risk of inappropriate systems access levels.

The System's Information Security Policy (Security Policy) and the System's adopted information security standard, ISO27002:2013 (Security Standard) dictate that the principle of least privilege must be used by each college and the System Office in the assignment of security roles and responsibilities (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.1 Business requirements of access control*). Granting access based on the principle of least privilege is a best practice for maintaining security over critical systems. Allowing excessive access to critical systems increases the risk of compromising data integrity and increases unnecessary exposure to sensitive data.

The System Office has developed user manuals and access guides for the systems; however, these guides do not provide enough detail to effectively communicate how to establish appropriate roles and preferences to minimize segregation of duties issues at the community college level. While System Office staff have provided training and education to community college personnel, there is an overall lack of awareness of the tools available to each college to help manage access. For example, many community colleges are not aware of and are not using queries developed by the System Office to help detect potential systems access conflicts. While there are likely contributing factors to the lack of awareness, such as employee turnover at the college level, the current approach to education and access management would benefit from further refinement.

The System Office should continue to work with various stakeholders, including community college personnel and internal audit, to develop reference tools to ensure the individual community colleges establish and maintain appropriate systems access levels. Colleges should justify why conflicting access is necessary and provide compensating controls; or when possible, adjust employee responsibilities to eliminate the need for conflicting access. The System Office should also use the implementation of the Shared Services Center to help colleges implement access levels based upon actual needs. Open communication between individual community colleges and the System Office regarding access is critical in ensuring that colleges have the tools and knowledge necessary to establish and evaluate employee systems access.

2017-06: Improve Software Patching and Vulnerability Mitigation Processes

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The System Office does not consistently patch software or mitigate vulnerabilities in accordance with the Security Policy or the Security Standard.

We communicated the specific control weaknesses and compliance references to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. In general, the weaknesses relate to the System Office not applying security related patches to three separate sensitive systems and not mitigating vulnerabilities in a timely manner. The System Office's system hardening guides state that two of the systems should remain in production and not have downtime to install patches, but this does not align with the requirements in the Security Policy or the Security Standard.

Without sufficient software patching and vulnerability management controls, the System Office increases the risk of unauthorized access to sensitive and mission critical systems and the internal network. In addition, by not mitigating legitimate vulnerabilities, malicious actors can exploit them to infiltrate a network and initiate an attack, which can lead to financial, legal, and reputational damages to the System.

The System Office should dedicate the necessary resources to obtain, test, and implement security patches for the systems in accordance with the Security Policy and the Security Standard. The

System Office should receive approval from executive management if they choose to deviate from a requirement in the Security Standard for patching their sensitive systems. Additionally, the System Office should dedicate the necessary resources to mitigate system vulnerabilities in a timely manner or document exceptions for them. By making these improvements, the System Office will reduce data security risk for sensitive and mission critical systems that reside in the internal secure network.

2017-07: Improve Web Application Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The System Office does not have a process to verify information technology (IT) personnel properly configure security controls for public facing applications in accordance with the Security Standard.

During our audit, we identified a public facing portal for a sensitive and mission critical system that the System Office did not properly configure. We communicated details about the specific application portal to management in a separate document marked FOIAE under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The System Office took corrective action by removing access to the public facing application portal and re-routing all connection attempts to a different application portal.

The Security Standard requires the System Office to deploy and maintain public facing applications with a secure configuration. The System Office did not identify this weakness prior to the audit because it does not have a formal process to evaluate if their public facing applications configurations comply with the Security Standard. Without a review process, the System Office increases the risk that potentially malicious actors will launch attacks against web application, which can lead to a breach of sensitive data and cause financial, legal, and reputational damages for the System Office.

The System Office should develop a process to verify that IT personnel properly configure all public facing applications. Further, the System Office should develop policies and procedures to ensure consistent implementation of this process. Properly configuring public facing applications will help reduce the risk to the confidentiality, integrity, and availability of sensitive and mission critical data.

2017-08: Complete a Risk Assessment for Each Sensitive System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The System Office has a complete risk assessment for one sensitive system, however; the System Office does not have complete risk assessments for the other sensitive systems in accordance with its Security Policy or the Security Standard. The Security Policy requires the System Office to conduct risk assessments for sensitive information assets on at least an annual basis (*Security Policy Section: 4.2*

Assessing Security Risks). Additionally, the Security Standard requires the System Office to conduct risk assessments to identify threats, vulnerabilities, likelihood of occurrences, and potential impacts (*Security Standard Section: 0.2 Information security requirements*).

The System Office provided one complete risk assessment and was unable to provide complete risk assessments for any other sensitive systems. The System Office does not have a risk assessment for each sensitive system because it is in the process of developing a new risk assessment template, which it plans to complete in July of 2018.

Without complete risk assessments for each sensitive system, the System Office increases the risk it will not identify and mitigate existing vulnerabilities, increasing the chances a malicious attacker could exploit a known vulnerability. A successful attack could lead to a breach of data and create financial, legal, and reputational damages for the System.

The System Office should complete a risk assessment for each system it classifies as sensitive. Further, the System Office should review and update the risk assessment for each sensitive system after it undergoes any significant change or on an annual basis. Maintaining current risk assessments will decrease the data security risk for the sensitive systems and improve the security posture of the System.

THOMAS NELSON COMMUNITY COLLEGE

2017-09: Ensure Everyone Knows How to Send Sensitive Information Securely

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Thomas Nelson did not always transmit sensitive information securely. Staff sent unencrypted personally identifiable information to another Commonwealth agency (receiving agency). Additionally, Thomas Nelson does not have adequate policies and procedures addressing the transmission of sensitive information.

The Security Standard requires the use of data protection mechanisms for the transmission of all data that is sensitive according to confidentiality (*Security Standard Section: 10.1 Cryptographic controls*). Sensitive data includes, but is not limited to, personally identifiable information. Personally identifiable information is considered information that describes, locates, or indexes anything about an individual, such as financial transactions, Social Security numbers, medical history, ancestry, religion, political ideology, criminal or employment records, and photographs. If Thomas Nelson does not employ email encryption or another suitable, secure method of sending personally identifiable information, Thomas Nelson could compromise the personal information of its employees and could expose those employees to risk of fraud or identity theft.

Staff at Thomas Nelson was unaware of the ability to set up a Secure File Transfer Protocol (SFTP), which is available to all entities providing information to the receiving agency. Despite the receiving

agency informing management of this option during the initial communication, staff overlooked the email containing the information regarding the SFTP, which led to staff sending sensitive information over unencrypted means.

Thomas Nelson should ensure all employees accurately understand the Security Standards and use secure methods to send sensitive information. Thomas Nelson should develop and implement policies and procedures to ensure that everyone knows how to send personally identifiable information securely in accordance with the Security Standard.

2017-10: Comply with Prompt Payment Requirement

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

During fiscal year 2017, Thomas Nelson did not process a number of payments in compliance with the prompt payment requirements of the Virginia Public Procurement Act (Procurement Act). In the payments reviewed, we found Thomas Nelson paid three of twenty-five payments (12%) tested past the time requirements set by the Procurement Act.

Code of Virginia §2.2-4347 of the Procurement Act, requires state agencies to pay for delivered goods and services within thirty calendar days after receipt of a proper invoice, or thirty days after receipt of the goods or services, whichever is later. Not following prompt pay requirements established by the Code of Virginia may harm the Commonwealth's reputation as a buyer, damage relationships with vendors, and could result in late fees. Colleges may find themselves having issues in delivering services, maintaining facilities, and providing for safety when they are dependent on vendors for critical services.

Thomas Nelson's untimely payments were the product of employee turnover in the Accounts Payable Department, which resulted in employees from other departments researching and processing payments without the commensurate training. Management should educate staff and monitor compliance with the Procurement Act to ensure prompt payment compliance is not affected by business operations.

2017-11: Improve Segregation of Duties between Human Resources and Payroll

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Thomas Nelson has not properly assigned access roles in the Commonwealth's human resources system (Commonwealth's HR system) and the Commonwealth's payroll system (payroll system) based on the principle of least privilege. Thomas Nelson had five employees who held dual access to the Commonwealth's HR system and payroll system as of the end of fiscal year 2017. As a result, payroll and human resource duties are not properly segregated.

The Security Policy and the Security Standard require entities to employ the principle of least privilege, only allowing users access that is necessary to accomplish assigned tasks in accordance with organizational missions and business functions (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.1 Business requirements of access control*). Employees with dual update access are able to update/certify payroll and update critical information in an employee's personnel file. Without proper segregation of duties over the payroll and human resource systems, there is an increased risk that an employee may authorize improper payroll payments, or alter an employee's salary or benefits due to error or inappropriate actions within the system.

The employees with dual access performed different payroll and human resource functions for Thomas Nelson and Paul D. Camp throughout the year. Thomas Nelson authorized the five employees to have dual access to the Commonwealth's payroll and human resource systems in order to ensure the employees were able to perform the responsibilities and duties of their respective jobs.

Thomas Nelson should reassign duties and systems access for current human resource employees to ensure that proper segregation of duties is in place. Going forward, Thomas Nelson should continuously monitor the duties and systems access given to employees in human resources to ensure that proper segregation of duties is maintained.

2017-12: Ensure Terminated Employees Are Properly Classified in the Payroll System

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Thomas Nelson did not change the employment status for six terminated employees at Paul D. Camp. The Service Level Agreement (agreement) between Thomas Nelson and Paul D. Camp assigns responsibility to Thomas Nelson for ensuring employee terminations are recorded timely. CAPP Manual Topic 50320, states that agencies must verify that information in the Commonwealth's payroll system concerning terminated employees is complete, properly authorized, and entered accurately into the system. Employees remaining active in the payroll system after being terminated and having received final paychecks pose a risk for improper payments.

While Thomas Nelson reviews a report from the payroll system listing Thomas Nelson employees who have not been paid to date in the current calendar year and whose status should be changed to terminated, referred to as the 861 report, Thomas Nelson did not perform the same review for employees at Paul D. Camp. Thomas Nelson should regularly complete a review of the 861 report for employees at Paul D. Camp to ensure employees terminated in the System's human resource system are removed from the Commonwealth's payroll system after final pay is made to the employee. Also, Thomas Nelson should document their review of the 861 report to show that adjunct or other employees whose status should remain active is supported by management's review and determination to maintain the employee in active status as required.

2017-13: Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Thomas Nelson cardholders did not properly perform SPCC reconciliations. Three out of ten cardholders (30%) tested did not have a small purchase charge card log, evidencing cardholder certification of monthly charges, supervisor approval, and the reconciliation between purchases made during the month and their monthly bank statements. Further, two reconciliations for other cardholders were not dated, making it indeterminable whether the reconciliations were performed timely. In addition, two cardholders did not have any charges for the selected reconciliation month, and notification of this fact was unable to be provided.

CAPP Manual Topic 20355 requires the cardholder to reconcile the bank statement to the purchasing log and supporting documentation to verify that purchases and returns are accurately listed on the SPCC statement. Additionally, Thomas Nelson Administrative Procedures Manual, Purchasing Charge Card procedures, require the cardholder to maintain a log of all purchases for each account number and start a new log sheet at the beginning of each billing cycle. CAPP Manual Topic 20355 requires when there are no charges for the month the cardholder must notify their supervisor and the accounting office of that fact in writing, in lieu of reconciling the SPCC statement. CAPP Manual Topic 20355 further elaborates that the cardholder may send an email notification to the accounting office and copy their supervisor.

Agencies and institutions must maintain internal control over the use of cards. Without a small purchase charge card log to keep track of the purchases made, supporting charges is problematic and can lead to errors and potential overpayments. When reconciliations are not dated, it remains unclear if reconciliations were performed timely. The lack of a notification to management that a cardholder has zero charges prevents management from knowing if it is reasonable for an employee not to complete a reconciliation for a given month, and supports completeness of the monthly charges for the college. When employees do not complete the required reconciliation, management does not know if it is because of zero activity on their SPCC or the employee is not following the requirement to complete the reconciliation.

Thomas Nelson has implemented a policy for the reconciliation process that incorporates the use of the administrative system. Cardholders use the administrative system to verify that monthly charges are valid and accounting detail is correct. However, the reconciliation in the administrative system is not sufficient and is not supported by documentation that the cardholder is required to keep during the month. Cardholders did not follow the procedures outlined in the internal procedures; therefore, cardholders did not provide notification to their supervisor and the accounting office of the fact that there were no charges for the month.

Management should ensure that cardholders prepare a small purchase charge card log in accordance with internal procedures and Commonwealth requirements. In addition, management

should ensure that cardholders date and sign their reconciliations appropriately and receive supervisory approval. Finally, management should ensure that cardholders follow internal controls when there are no monthly charges, and ensure cardholders at a minimum email supervisors and the accounting office in months where no charges are made.

2017-14: Deactivate Terminated User Access Timely

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2014)

Prior Title: Deactivate User Access Promptly Upon Employee Separation

Terminated employees at Thomas Nelson and Paul D. Camp retained access to the Commonwealth's purchasing system and the System's administrative and student systems. Specifically,

- Seven out of 16 employees (44%) tested had their Commonwealth purchasing system access deactivated as much as two years after terminating employment. Two out of 16 employees (13%) tested also had Commonwealth purchasing system access on behalf of Paul D. Camp.
- Three Thomas Nelson employees terminated prior to fiscal year 2017 still had access to the administrative system as of April 2018.
- One Thomas Nelson temporary employee terminated during fiscal year 2017 (November 2016) still had access on behalf of Paul D. Camp to the administrative system as of April 2018.
- Two Paul D. Camp employees no longer needing access, due to changing job roles, maintained their access to the administrative system as of April 2018.
- Two Thomas Nelson employees terminated during fiscal year 2017 (April 2017) still had access to the student system as of April 2018.
- One Paul D. Camp employee terminated during fiscal year 2017 (June 2017) still had access to the administrative system as of April 2018.

During fiscal year 2017, Thomas Nelson maintained an agreement with Paul D. Camp to administer systems access for Paul D. Camp. Per Section 2.8 (Deactivation of Access) of the Commonwealth of Virginia Electronic Procurement System Security Standards, access shall be deactivated when the requirement for access no longer exists. Based on the Thomas Nelson Access Determination and Control Procedures, access should be removed within five business days from the date the employee clearance form is presented to an employee. Additionally, the Security Policy and the Security Standard state that the access rights of all employees and external party users to information and information processing facilities should be removed upon termination of their employment, contract or agreement, or adjusted upon change (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.2.6 Removal or adjustment of access rights*).

Untimely deletion of access to systems can expose the colleges to inappropriate activity by individuals no longer employed by the institution. Since the Commonwealth's purchasing system is a web-based application accessible from anywhere, removing a user from the college's internal network is not sufficient. The terminated employee's user ID must be deactivated. Untimely user access deactivations may compromise the protection and integrity of confidential Commonwealth purchasing system data. Colleges may also be subject to an elevated risk of unauthorized access to online transactions.

The Thomas Nelson Information Technology Department did not remove access timely due to the lack of communication and coordination between the Human Resources Department, supervisors, and Paul D. Camp. The Thomas Nelson Human Resources Department did not always issue employee clearance forms to initiate the employee termination process. Upon employee termination, supervisors also did not notify the appropriate departments to ensure that employee's access was promptly deactivated. In addition, Paul D. Camp personnel did not submit employee clearance forms to the Thomas Nelson Information Technology Department timely.

Thomas Nelson and Paul D. Camp should ensure that terminated employee access to the Commonwealth's purchasing system and to the System's administrative and student systems is deactivated in accordance with the Security Policy and the Security Standard. Specifically, management should improve communication between human resources and other departments at both entities to ensure that system owners of all critical systems are notified when employees are terminated timely. In addition, the Information Technology Department should perform quarterly and annual reviews to ensure that access is being removed in accordance with internal policies and procedures.

2017-15: Ensure Employee Clearance Forms Are Completed at Termination

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Thomas Nelson is not following proper off-boarding procedures for terminated employees. The Human Resources Department does not have employee clearance forms for 24 out of 29 (83%) of terminated employees tested. The employee clearance form was not completed for students, adjuncts, salaried, and temporary employees. The employee clearance form documents the removal of system access and the return of Commonwealth property, such as charge cards, travel cards, and keys. Additionally, Thomas Nelson did not remove six of the 29 (21%) terminated employees tested from the Commonwealth's payroll system timely.

The Security Policy and the Security Standard require entities to retrieve all security-related organizational information system-related property upon termination of individual employment. Some examples of information system-related property are hardware authentication tokens, keys, identification cards, and building passes. The Security Policy advises entities to disable information system access within five business days of employment termination (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.2.6 Removal or adjustment of access rights*). To

operationalize these requirements, Thomas Nelson’s “Access Determination and Control Procedures” directs staff to complete employee clearance forms evidencing the return of state property and the timely removal of systems access for terminated employees.

Without proper and sufficient internal controls over terminated employees that ensure the removal of system access, return of Commonwealth property, and removal from the Commonwealth’s payroll system, there is an increased risk that an employee may have improper access to state systems, sensitive information, and Commonwealth property, or be granted unauthorized pay.

Due to the decentralized nature of Thomas Nelson, coordination and communication between all necessary departments is critical to ensuring employee clearance forms are completed and the terminated employee’s employment status is properly coded. The termination procedure is not being properly completed for all Thomas Nelson employees due to a lack of communication between the department supervisors and human resources when employees are terminated.

Management should ensure policies and procedures relating to employee termination are being adhered to and supporting documentation is retained. Thomas Nelson should ensure proper coordination between department supervisors and human resources so that the employee clearance form is completed accurately to ensure all access is removed and all Commonwealth property is returned. Management should ensure supervisors are aware of the off-boarding procedures and provide training as necessary.

2017-16: Ensure Access to Commonwealth’s Retirement Benefits System is Controlled Across the System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Thomas Nelson did not completely terminate system access timely to the Commonwealth’s retirement benefits system (benefits system) for one of its employees. While access was terminated for accessing the system for Thomas Nelson, the employee retained their access to the system for Paul D. Camp. The agreement between Thomas Nelson and Paul D. Camp assigns responsibility for managing account access to Thomas Nelson.

The Security Policy and the Security Standard address requirements over account management practices for requesting, granting, administering, and terminating accounts. Specifically, organizations are required to disable unneeded accounts in a timely manner (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.2.6 Removal or adjustment of access rights*). Untimely removal of system access increases the risk of unauthorized transactions, changes to personal information, and the potential for sensitive data to be shared with unauthorized users.

The terminated employee held access to the benefits system for both Thomas Nelson and Paul D. Camp. Upon the employee’s termination, the Virginia Retirement System (VRS) Security Administrator at Thomas Nelson, who oversaw access to the benefits system for both community

colleges, removed the employee's access to Thomas Nelson records, but overlooked removing their access to Paul D. Camp's records.

Thomas Nelson should ensure that all terminated employee access is removed in a timely manner, in accordance with the Security Policy and the Security Standard. Additionally, Thomas Nelson should ensure all employees who grant/remove access are aware of, and fully understand the nature of their agreement and the impact on system access and removal in order to ensure there is no unauthorized access or transactions, and that sensitive information is secure.

2017-17: Ensure Reconciling Inventory Items Are Properly Classified

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Thomas Nelson did not properly account for reconciling items identified during the 2017 physical inventory. Reconciling items identified during the inventory review included surplus, lost, or stolen items; or items that changed location throughout the year. Additionally, several inventory sheets supporting the inventory process did not have the required notations evidencing the preparer's inventory work. Out of the twenty items reviewed:

- Three assets (15%) were classified as being "surplus" in prior years, but were not reclassified as "disposed" within the System's fixed asset system after the assets were no longer in possession of Thomas Nelson.
- Two assets (10%) were reported as stolen in 2012 and 2013, respectively, but were not reclassified as "disposed" in the System's fixed asset system until June 2017.

Per Section 3 of the System's Capital Assets Policies and Procedures Manual, discrepancies between recorded and actual inventories must be resolved in a timely manner through the submission of revised input forms and tagging, if necessary. According to CAPP Manual Topic 30705, assets are reclassified to "surplus" when the agency has determined that the asset has served its useful purpose, is no longer functional, cannot be repaired or improved, or is not needed within the agency. When the asset is not in current use and is located on-site at the agency, it should be classified as "surplus." Additionally, when an asset is disposed of by sale or otherwise, it should be classified as "disposed." CAPP Manual Topic 30805 requires the agency to key adjustments to their fixed asset and accounting systems for each stolen item as soon as practicable after the event.

Insufficient tracking of Thomas Nelson's fixed assets increases the risk of misappropriation of college property and may contribute to the inclusion of inaccurate information in the fixed asset system and cause misstatements of the financial statements. Without proper inventory documentation, the disposition of assets cannot be determined.

Due to issues during the 2015 physical inventory procedures, the Receiving Department overlooked some surplus and stolen items and did not reclassify them to "disposed" in the System's

fixed asset system. In addition, department managers did not communicate surplus and stolen items to the Receiving Department timely to facilitate the timely reclassification of the items to “disposed.” Furthermore, department managers did not follow physical inventory review requirements outlined in the Thomas Nelson inventory memorandum, which led to inadequate inventory notation.

Management should make account managers aware of the importance of alerting the fixed asset manager timely in regards to new, found, or missing assets to ensure timely recordation in the fixed asset system. Management should ensure surplus property that has been sold and stolen items are reclassified to “disposed” in the System’s fixed asset system. Inventory preparers should properly notate inventory control sheets, providing management with evidence of performing inventories adequately. Additionally, reconciling items should be properly handled and removed from the System’s fixed asset system once the assets are disposed of by sale or theft. Management should evaluate current inventory and tracking procedures and implement corrective action to ensure that fixed assets are monitored in accordance with state requirements.

2017-18: Report Allowance for Doubtful Accounts Quarterly

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Thomas Nelson did not report the quarterly allowance for doubtful accounts on behalf of Paul D. Camp. For the first three quarters of the fiscal year 2017, the Quarterly Receivable Summary Report for Paul D. Camp did not include an allowance for doubtful accounts. The agreement for shared services between the two colleges makes Thomas Nelson responsible for establishing and reporting an allowance for Paul D. Camp.

CAPP Manual Topic 20505, Accounts Receivable, requires agencies to establish an allowance for doubtful accounts to reflect the portion of an agency’s receivables that management estimates will be uncollectible. The Department of Accounts (Accounts) requires agencies to submit quarterly a schedule of accounts receivable, and the allowance line item is part of the required information to be submitted in the schedule.

The allowance for doubtful accounts ensures that accounts receivable balances presented in the financial statements are not overstated. By not adhering to quarterly reporting requirements, Accounts and management are not able analyze accurate information regarding accounts receivables during the year. If the allowance is only analyzed once per year, there is an increased likelihood that the allowance may not be as accurate as it would be if there was on-going monitoring throughout the year.

While Thomas Nelson reported the allowance for doubtful accounts in its own quarterly submissions to Accounts, it did not include the allowance for doubtful accounts in the quarterly submission for Paul D. Camp. According to management, Thomas Nelson staff believed it was sufficient to only include the allowance in the fourth quarter report, as that report is for the year-end financial statement preparation. Management should ensure staff report the allowance for doubtful accounts in each quarterly accounts receivable submission to Accounts as required.

PAUL D. CAMP COMMUNITY COLLEGE

2017-19: Ensure Revenue Contracts Are Valid

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Paul D. Camp operated under an expired contract for vending services for nine out of twelve months of fiscal year 2017. The previous vending contract expired in 2005; however, Paul D. Camp continued to receive vending services and commissions. Thomas Nelson's management was aware of the fact that Paul D. Camp operated under an expired contract for vending services, and received commissions, without a legally binding contract.

Section 1 of the Department of General Services (General Services) Agency Procurement and Surplus Property Manual (APSPM) requires that procurements be accomplished in accordance with the intent of the law. Specifically, if there is to be a contract between a state agency and a nongovernmental vendor, the Procurement Act and the regulations set forth in the APSPM apply regardless of the source of funds from which the contract is to be paid or which may or may not result in monetary consideration for either party. These documents also apply whether the consideration is monetary or nonmonetary and regardless of whether the public body, the contractor, or some third party is providing the consideration.

Section 4.12 requires written contracts to be issued and every procurement transaction to originate from a requisition containing, among other information, budget details and the necessary approval authority. The award shall include or incorporate by reference the specifications, descriptions or scope of work, general conditions, special conditions, and all other requirements contained in the solicitation (Invitation for Bids or Request for Proposal), together with all written modifications and the bid or proposal submitted by the contractor. The award document is to be signed and issued by an authorized official of the agency. Specifically, APSPM Section 10.22(d) states the following regarding revenue sharing contracts:

Revenue Sharing Contracts. Certain agencies and institutions possess statutory authorization to generate revenue. Service contracts for the management of cash operations (e.g., food services, canteen or bookstore operations, etc.) commonly permit agencies and institutions to share in the revenues these activities generate rather than require any expenditure of funds. Commissions should normally be based as a percentage of gross receipts, and there should be some incentive for the contractor to contain costs. It is imperative that agencies have some ability to verify gross sales under agreements of this type.

Operating under an expired contract prevents agencies from adequately monitoring contract deliverables. Operating without signed contracts in place may result in the receipt of incorrect commission payments. System records for this contract cannot be audited to determine the accuracy of the payments and whether the payments are being made in accordance with contractual requirements

as a result of having no contract in place. Contract disputes could lead to issues for Paul D. Camp in the case of non-performance of contractual terms on the part of the vendor.

Under the agreement between Thomas Nelson and Paul D. Camp for shared services, Thomas Nelson is responsible for administering and monitoring contractual agreements to verify proper adherence to all contract specifications, terms and conditions. Due to a contract renewal clause within the contract, Paul D. Camp personnel were under the impression that the prior expired contract remained in effect; therefore, personnel did not procure a contract. Since there was not a legally binding contract, Thomas Nelson could not verify that the Paul D. Camp commissions received were accurate.

Paul D. Camp management should ensure that upon expiration of contract renewals that measures are taken to procure a current contract. Paul D. Camp should ensure that it follows the procurement procedures outlined within the APSPM. Thomas Nelson Management should ensure that it has valid contract for which to administer and monitor contractual agreements to verify proper adherence to all contract specifications, terms and conditions. In addition, Thomas Nelson should have a valid contract to aid it in its ability to verify commissions from revenue sharing contracts, ensuring the accuracy of revenues received.

2017-20: Ensure Leave Liability Report is Complete

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Paul D. Camp inaccurately reported their year-end leave liability. Two out of 15 classified employees (13%) tested were not included in the college's human resource system leave liability report, resulting in an understatement of the leave liability.

CAPP Manual Topic 40105, states the college's leave accounting system should record leave balances properly, manage leave balances, and accurately calculate the fiscal year-end leave liability. The accurate reporting of fiscal year-end leave liability is essential for supporting Paul D. Camp's State Schedule 7, Schedule of Accrued Leave Liability. Paul D. Camp's Schedule 7 supports the System's financial statement preparation. The inaccurate reporting of leave liability could lead to a potential misstatement of the System's financial statements.

Paul D. Camp did not ensure that every employee who should be on the leave liability report was on the report. Paul D. Camp staff sampled the employees included on the report to check the accuracy of the report, but did not catch the employees who were not on the report as the report was not checked for completeness.

Paul D. Camp should ensure the leave liability used in the preparation of Schedule 7 is complete. Management should ensure employees preparing the schedule adequately review and understand issues relating to the preparation of the report.

2017-21: Implement Proper Procedures for Classifying Missing Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

During the 2017 physical inventory, Paul D. Camp executed procedures related to missing assets that were not consistent with the System's Capital Assets Policies and Procedures Manual. Immediately after the physical inventory, Paul D. Camp personnel removed missing inventory items from all financial reporting by classifying the assets as "disposed" and assigning them a disposal code of "missing asset" in the System's fixed asset system.

Section 3 of the System's Capital Asset Policies and Procedures Manual requires that items missing during a physical inventory to be classified as "lost" and not immediately classified as "disposed" in the system. Only if a missing item cannot be found during the subsequent inventory, typically on a two-year cycle, would the staff classify the asset as "disposed" in the system. The assets duly disposed would be removed by the System office fixed asset manager, and would be excluded from financial reporting of fixed assets as applicable.

When missing inventory items are immediately classified as disposed, the items are no longer in reports from the System's fixed asset system, which causes the college's inventory to be misstated. Good stewardship of missing assets involves the further investigation of the disposition of the assets to determine whether items are truly missing, lost, or stolen. The removal of potentially temporarily missing assets can cause fluctuations in inventory balances throughout the year if the asset is located and later classified as in-service.

According to management, the procedures were implemented due to a misunderstanding of how missing assets should be classified in the system. Paul D. Camp personal immediately removed missing assets from the System's fixed asset system. Personnel indicated that they believed that Paul D. Camp would be held responsible for missing inventory items unless the items were immediately reclassified as "disposed" within the system.

Management should ensure employees follow the procedures for missing assets outlined in the System's Capital Assets Policies and Procedures Manual, and not classify assets as "disposed" if the items are missing in the first inventory cycle discovered as such. Paul D. Camp should implement processes to follow up on the status of missing inventory assets during subsequent physical inventory reviews. Finally, Paul D. Camp should ensure that internal policies and procedures for handling missing assets agree with the System's policies and procedures.

2017-22: Establish Chain of Custody Protocol for Critical Documentation

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Paul D. Camp does not currently have personnel files for two of the seven (29%) terminated employees tested. Neither Paul D. Camp or its service provider, Thomas Nelson, were able to locate the files in question for employees that terminated during fiscal year 2017. One wage employee without documentation received paychecks after termination. Paul D. Camp could not provide documentation of the employee's terminated position or subsequent position.

CAPP Manual Topic 21005, Records and Retention, outlines the minimum record retention periods for audit support, including all records relating to payroll. Accounts and the Library of Virginia established the minimum retention period for payroll files at five years.

Not properly maintaining documentation can result in the manipulation of an employee's electronic file including pay rates, benefits, current position, and other sensitive information. This could lead to the inaccurate reporting of salary or leave someone is accruing each pay period. Additionally, management needs to maintain critical documentation to support preparation of financial statement schedules and provide evidence that controls are operating as designed and that the System complies with all necessary requirements.

Human resources at Paul D. Camp maintains all of their personnel files in hard copy and was unable to locate the two files at either their Suffolk campus, or at Thomas Nelson, while the two colleges were operating under an agreement. Paul D. Camp reported that the employee personnel files may have been misplaced or lost after the agreement ended on December 31, 2017. After the agreement ended, all of the personnel files that were at Thomas Nelson were transferred back to Paul D. Camp.

The System should establish and implement a chain of custody protocol for colleges to use when transferring information between them and their service providers to ensure that the System can enforce accountability for any missing files. This protocol will be imperative as the System works to fully implement its Shared Service Center, which will require a greater level of sharing critical documentation. Additionally, Paul D. Camp should perform an internal review of employment files and make any updates as needed, and train supervisors on policies and procedures.

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

2017-23: Reconcile Benefits System to Other Systems

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System has not reconciled the benefits system to other systems for Southside Virginia Community College (Southside) since March 2017. CAPP Manual Topic 50410 states that reconciliations

should be performed monthly between the payroll system, the Commonwealth's HR system, and benefits system. By not performing reconciliations prior to confirming the information in the benefits system, changes in employment status, such as terminations, could go uncorrected which could result in over- or under-distribution of benefits to the employee.

Southside experienced complete turnover in the Payroll Department and positions went unfilled; therefore, the Human Resources Manager had to take over certain roles. Due to the increase in workload, the Human Resources Manager did not have the resources to complete the reconciliations prior to confirming the information in the benefits system each month. The System should delegate resources to reconcile the benefits system to other systems prior to confirming the information in the benefits system for Southside.

2017-24: Improve Human Resources Data Reconciliation Procedures

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Southside personnel are not performing reconciliations over Southside's portion of the System's human resource system. The System's human resource system does not interface with the Commonwealth's HR system; therefore, when the Human Resources Department makes a change in System's human resource system, personnel also must make a change in the Commonwealth's HR system. During the audit, we discovered a \$13,535 error related to the incorrect hourly rate in the System's human resource system, which affected the leave liability line item.

CAPP Manual Topic 50810, Pre-Certification Activities, requires the review of source documents to verify the changes made to the Commonwealth's payroll system prior to payroll certification, including the Commonwealth's HR system and other systems, such as Southside's portion of the System's human resource system.

By not completing required reconciliations and addressing discrepancies noted during the reconciliation process, Southside increases the risk of inaccurate data being reported in the annual financial statements and potential impact on its employees. CAPP Manual Topic 40210 states that when an employee's leave balance is incorrect, it is necessary to identify the original incorrect entry and evaluate the impact of the error on the leave balance to correct the leave balances.

Southside experienced complete turnover in the Payroll Department and positions went unfilled; therefore, the Human Resources Manager had to take over certain roles. Due to the increase in workload, the Human Resources Manager did not have the resources to complete the required reconciliations.

Southside should develop procedures to perform reconciliations between the Southside's portion of the System's human resource system and the Commonwealth's HR system. Additionally, Southside should perform a reconciliation between the two systems prior to certifying payroll, which will help ensure that the payroll is accurate and complete.

2017-25: Improve Internal Controls over Terminated Employees**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Southside personnel are not properly completing separation processes for employees that have terminated employment with the college. The following deficiencies were noted:

- Eight of eight employees (100%) tested returned building and grounds property between 16 and 135 days following date of termination.
- Nine of nine employees (100%) tested had access to certain systems removed between six and 414 days following date of termination.
- For nine of nine employees (100%) the Information Security Officer completed an off-boarding review between 13 and 418 days following date of termination to identify access that needed to be removed.

The Security Policy and the Security Standard require management to review users' access rights at regular intervals, including after any termination of employment (*Security Policy Section: 9.2.5 Review of user access rights; Security Standard Section: 9.2.5 Review of user access rights*). Without proper and sufficient internal controls over terminated employees that ensure the return of Commonwealth property and the removal of all access privileges, there is an increased risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and access to sensitive information.

During the period under audit, the Human Resources Office experienced significant turnover and positions went unfilled. Due to the increased workload, follow-up on the Termination Checklist was overlooked. Management should evaluate current employee separation procedures and ensure that employee separation forms are completed and reviewed for each employee upon termination. Documentation should be retained as evidence that controls over the removal of system access and collection of Commonwealth property for all employees were implemented as designed and operationally effective.

2017-26: Deactivate Terminated User Access Timely**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Yes (first issued in fiscal year 2013)**Prior Title:** Deactivate User Access Promptly Upon Employee Separation

Southside is not consistently deactivating access for terminated employees to the Commonwealth's purchasing system in a timely manner. Two out of four employees sampled (50%) had his or her access deactivated between nearly two and six months after terminating employment.

Per Section 2.8 (Deactivation of Access) of the Commonwealth of Virginia Electronic Procurement System Security Standards, access shall be deactivated when the requirement for access no longer exists. Since the Commonwealth's purchasing system is a web-based application accessible from anywhere, removing a user from the entity's network is not sufficient. The terminated employee's user ID must be deactivated. Untimely user access deactivations may compromise the protection and integrity of confidential Commonwealth purchasing system data. Southside may also be subject to an elevated risk of unauthorized access to online transactions.

The cause of untimely deactivations was due to exit tickets from the off-boarding system not being provided to the Information System Office timely. The System should evaluate potential weaknesses in current off-boarding procedures to ensure that information technology personnel obtain prompt notification of terminations and deactivate user access timely when the employee no longer has a need for access.

2017-27: Maintain Legal Agreements

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Southside did not have a copy of a vending contract. Southside could not provide evidence that it monitored and confirmed fulfillment of contractual obligations by a contractor. Southside has commission receipts; however, it did not have a copy of the legal agreement, contract, specifying the requirements of the parties involved.

In accordance with Code of Virginia §2.2-4342. (Public inspection of certain records) of the Virginia Public Procurement Act, "all proceedings, records, contracts and other public records relating to procurement transactions shall be open to the inspection of any citizen, or any interested person, firm or corporation, in accordance with the Virginia Freedom of Information Act."

Insufficient documentation prevents management from adequately monitoring contract deliverables. It may result in Southside receiving incorrect commission payments. It may also subject Southside to potential liabilities included within the contract. Also, as a result of not having the contract, Southside's records for this contract cannot be audited to determine the accuracy of the payments and if the payments were made in accordance with contractual requirements.

Management does not know why Southside does not have an original copy of the contract in question nor was Southside successful in obtaining a copy from the other party until late in the audit. For this contract and others, management should perform a review of contracts to ensure original contracts with supporting documentation are retained as evidence that contract deliverables have been appropriately monitored and legal obligations have been enforced and accurately received and reported.

2017-28: Improve Fixed Asset Inventory and Tracking**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

System records are not accurate for assets located at Southside. For assigned assets, Southside did not perform adequate oversight over fixed assets or correct discrepancies as required by the CAPP Manual. The following deficiencies were noted with Southside assets during fiscal year 2017:

- One asset could not be located and surplus documentation had not been completed;
- One asset did not have the assigned tax affixed;
- One asset is coded with a useful life of three years rather than ten years as recommended by Accounts Nomenclature Listing resulting in a depreciation error of \$13,482 for fiscal year 2017;
- One asset was assigned a useful life of five years by Southside. However, the System Master List is depreciating the fixed asset at ten years resulting in a depreciation error of \$649 for fiscal year 2017; and
- One asset is listed as disposed in the fixed asset system, but is still currently in use in the Christianna Campus Server Room.

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

Insufficient inventory of Southside's physical assets increases the risk of misappropriation of Commonwealth property and may contribute to the inclusion of inaccurate information in the fixed asset system and financial statements. The primary cause for not identifying and correcting fixed asset discrepancies is indeterminate; however, a proper and effective inventory should result in an accurate accounting of equipment, and indicate the reliability of the system of control for acquiring, using, and disposing of equipment.

Management should evaluate current inventory and tracking procedures and implement corrective action to ensure that fixed assets are monitored in accordance with state requirements. Management should ensure that discrepancies are corrected following a full inventory. Management should also ensure, when applicable, that a complete surplus audit trail is maintained for review.

2017-29: Verify Daily Cash Settlement Reports Timely**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Southside did not verify Daily Cash Settlement Reports timely. Although personnel did deposit funds within the next business day as required and posted the deposits in the accounting system timely, eight out of eight (100%) of the Daily Cash Settlement Reports sampled throughout fiscal year 2017 were not verified timely. Personnel verified the Daily Cash Settlement Reports between four and twenty-five days after the Cashier's date of receipt.

Per the CAPP Manual Topic 20205, each agency and institution should implement internal controls in cash receipts accounting that ensure appropriate segregation of duties. A lack of timely verification of Daily Cash Settlement Reports compromises segregation of duties in the funds handling process and elevates the level of risk for Southside. The primary cause of the delay in approving revenue entries was due to significant turnover in personnel.

Southside should evaluate current procedures for compiling deposits and verifying Daily Cash Settlement Reports and should implement corrective action to ensure that Daily Cash Settlement Reports are reviewed and verified timely regardless of turnover in personnel at Southside.

2017-30: Ensure Revenue Journal Entries Are Approved Timely**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Daily revenue journal entries to the general ledger for Southside were not approved timely. Nine out of 25 (36%) of the journal entries sampled during fiscal year 2017 were not approved timely, causing a posting delay to the general ledger in the System and the Commonwealth's accounting and financial reporting system.

Per the CAPP Manual Topic 20905, basic objectives of the classification, recording and summarization processes include monthly certification by the fiscal officer that all general ledger account balances in the Commonwealth's accounting and financial reporting system for the agency will be correct after the agency processes any needed general ledger journals. Untimely approval and posting of journal entries can result in inaccurate data within accounts while the journal entry remains in a pending status. In addition, the Commonwealth's accounting and financial reporting system will not reflect accurate and current information as updates occur after posting to the general ledger. According to management, the primary cause of the delay in approving revenue entries was due to personnel turnover at Southside.

Management should evaluate current procedures for approving and posting revenue journal entries to the general ledger and should implement corrective action to ensure that journal entries are reviewed and approved timely regardless of turnover in personnel located at Southside.

2017-31: Improve Controls over Payroll Processing

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Southside personnel did not perform duties that are considered key internal controls in the payroll process. College personnel did not complete all elements of the required monthly payroll reconciliations. Additionally, Post-Certification Reports were not maintained as evidence of review.

During our review, we noted the following deficiencies:

- **Payroll Reconciliations:** The CAPP Manual Topic 50905 requires that key control totals are maintained in order to facilitate the Report 10/33 Reconciliation. The Report 10/33 Reconciliation helps identify potential problems with payroll records such as pre-tax deductions not being properly taxed, manual payment processing that affected taxable fields incorrectly, or improper withholding of certain taxes. Identifying and correcting discrepancies on a monthly basis facilitates essential quarter and year-end certifications. College personnel did not maintain control totals as audit evidence supporting that the following items are being reconciled:
 - Medicare Employee Wages
 - Medicare Company Wages
 - EIC Payments
 - State Unemployment Insurance Gross
 - OASDI Company Tax Paid
 - HI Company Tax Paid
 - Medicare Employee Tax Withheld
 - Medicare Company Tax Paid
 - State Unemployment Insurance Taxable

Additionally, Southside personnel did not maintain documentation detailing reconciling items on the Report 10/33 Reconciliation and resolution of those discrepancies, which operates as a key internal control.

- **Payroll Post-Certification Review:** CAPP Manual Topic 50820, Post-Certification Activities, states that the certifier should perform a post-certification audit of the payroll following processing. Southside risks unauthorized payroll changes being made after certification and/or transactions not being processed as intended.

Southside experienced complete turnover in the Payroll Department and positions went unfilled. Due to the increased workload of the Payroll Department, certain responsibilities were not fully completed, and the Payroll Department did not perform duties that are considered key internal controls in the payroll process.

Management should implement corrective action to ensure that all required payroll reconciliations are being performed and, if applicable, all reconciling items are documented and resolved. Management should ensure that evidence of review of all required Payroll Post-Certification Reports is being maintained to prevent future noncompliance.

EASTERN SHORE COMMUNITY COLLEGE

2017-32: Improve Benefits System Reconciliation Process

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Eastern Shore Community College (Eastern Shore) personnel are not performing thorough reconciliations between the Commonwealth's HR system and the benefits system prior to confirming the contribution snapshot. In addition, personnel confirmed the April contribution snapshot six days late and does not have any documented policies and procedures pertaining to the performance of the contribution snapshot reconciliation.

In accordance with the Contribution Confirmation and Payment Scheduling VRS Employer Manual, all employers are required to submit the contribution snapshot for the month by the 10th of the following month. The contribution snapshot must be reviewed and reconciled prior to confirmation to ensure the most accurate data is reported to the VRS and Accounts. In addition, CAPP Manual Topic 50410 states that agencies should reconcile creditable compensation from the HR System to a preliminary snapshot in the benefits system. If there are any discrepancies from the reconciliation, the agency should then review the "HR System Cancelled Records" report in the benefits system.

Inaccurate employee data in the benefits system may not be corrected timely when reconciliations are not being performed. This inaccurate data in the retirement system may cause retirement contributions to be paid late or inaccurately, the pension liability to be reported on the System's financial statements to be misleading, and/or employees to receive incorrect retirement benefits. Confirming the contribution snapshot late delays benefit processing and can result in errors due to incorrect or incomplete information.

Eastern Shore personnel only perform a high-level review of the contribution snapshot by reviewing any additions, deletions, and changes before confirming the snapshot to VRS and do not compare employee creditable compensation between the HR System and the benefits system. Eastern Shore also does not have detailed policies and procedures that require the reconciliation to be performed and explains how to perform the reconciliation.

Management should develop and document policies and procedures related to the reconciliation of employee creditable compensation between the HR System and the benefits system. Management should implement corrective action to ensure that the contribution snapshot is confirmed by the 10th of the following month. Management should ensure that HR System Cancelled Records Reports are run

and reviewed regularly. Additionally, management should ensure that the newly created policies and procedures are adhered to appropriately.

2017-33: Improve Process over Employee Terminations

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2013)

Prior Title: Deactivate User Access Promptly Upon Employee Separation

Eastern Shore personnel are not properly completing termination procedures for employees that have terminated employment with Eastern Shore. The following deficiencies were noted:

- For six of the seven terminated employees tested (86%), Eastern Shore did not complete the Employee Exit Checklist, and, if applicable, the IT Termination Request Form (Termination Forms);
- For one of the seven terminated employees tested (14%), Eastern Shore did not terminate the employee's access to the student information system; and
- For five of the seven terminated employees tested (71%), Eastern Shore did not terminate the employee from the Commonwealth's payroll system in a timely manner.

CAPP Manual Topic 50320, recommends that agencies develop a termination check-off list to complete as part of the termination process. In addition, the Security Policy and the Security Standard require management to review users' access rights at regular intervals, including after any termination of employment (*Security Policy Section: 9.2.5 Review of user access rights; Security Standard Section: 9.2.5 Review of user access rights*). A lack of adherence to termination procedures increases the risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and access to sensitive information.

Eastern Shore has developed the Termination Forms to ensure that all termination steps are properly completed. However, Eastern Shore's Payroll Procedures for Terminations do not reflect the requirement for both forms to be completed, and has resulted in the off-boarding process not being properly completed. There is also not enough communication between the supervisors and the Human Resource Manager when employees are terminated. This lack of communication hinders the Human Resource Manager from initiating and adhering to the termination procedures.

Management should review current employee termination procedures and implement corrective action to prevent future noncompliance. Management should ensure that termination forms are completion prior during the employee separation process and retain those forms for audit purposes. Management should strive to improve communication between supervisors and the Human Resources Manager to ensure timely and accurate completion of Termination Forms. Management should ensure that system access is deleted timely to minimize the potential for unauthorized access.

2017-34: Improve Human Resources Data Reporting Procedures**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Eastern Shore personnel are not properly processing employee salary changes in the System's human resource system. The following deficiencies were noted:

- For two out of the fifteen salaried employees tested (13%), the correct annual salary was not entered properly into the System's human resource system. Since this system is used to calculate leave liability, the salary discrepancies resulted in a leave liability understatement of \$582;
- Thorough reconciliations are not being performed to ensure that data between the System's human resources system and the corresponding Commonwealth systems to ensure they match; and
- Eastern Shore does not have comprehensive documented policies and procedures specifically related to performing the reconciliation.

When a change occurs, the Human Resources Manager is responsible for simultaneously entering the change into the System's human resource system and the corresponding Commonwealth HR system to ensure that data is in agreement. By not completing timely and accurate salary changes, performing required reconciliations, or addressing discrepancies noted during the reconciliation process, Eastern Shore increases the risk of inaccurate data being reported in the annual financial statements and potential impact on its employees. CAPP Manual Topic 40210 states that when an employee leave balance is incorrect, it is necessary to identify the original incorrect entry and evaluate the impact of the error on the leave balance to correct the leave balances.

Management should strengthen existing written procedures related to the reconciliation between the System's human resource system and corresponding Commonwealth systems. Additionally, management should implement corrective action to ensure adherence to written policies and procedures to ensure that accurate and timely changes are entered into the System's human resource system and the corresponding Commonwealth systems. Finally, Eastern Shore personnel should complete required reconciliations to ensure that any data discrepancies are identified and resolved timely.

2017-35: Improve Documentation of Policies and Procedures**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Eastern Shore's current documented policies and procedures lack detailed information for how to complete certain operational processes. Specifically, a lack of detailed written procedures was noted

for the performance of administrative system to student system reconciliations; transaction adjustments made in the student system; and assigning, reviewing, and termination of user access in administrative system and student system.

CAPP Manual Topic 20905 requires each agency to develop its own internal policies and procedures that are approved in writing by agency management. The agency's policies and procedures are to be up-to-date to reflect current operations. In addition, best practices indicate that an agency should document, review, and update policies and procedures regularly to ensure the documentation is clear, concise, and adequately address operational risk identified. Lack of clearly documented and updated policies and procedures increases the risk of inconsistent application of internal control processes and subsequent inaccurate financial reporting, particularly when Eastern Shore experiences turnover.

Eastern Shore has a limited amount of resources and typically requires all of those resources to complete normal business operations. As a result, Eastern Shore has not been able to devote sufficient resources to comprehensively document policies and procedures for all Business Office processes. Eastern Shore should prioritize and allocate the resources needed in order to comprehensively document departmental policies and procedures.

2017-36: Improve Fixed Asset Controls

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

System records are not accurate for assets located at Eastern Shore. For assigned assets, Eastern Shore did not perform adequate oversight over fixed assets or correct discrepancies as required by the CAPP Manual. The following deficiencies were noted for Eastern Shore assets:

- One asset was transferred off-campus with no transfer documentation completed;
- One asset did not have its assigned asset tag affixed; and
- 128 assets designated to be recycled were not classified as surplus in the fixed asset management system.

Per the System's Capital Assets Policies and Procedures Manual and CAPP Manual Topic 30505, a physical inventory of capital assets is required at least once every two years in order to properly safeguard assets and maintain fiscal accountability. Discrepancies between recorded and actual inventories must be resolved in a timely manner through the submission of revised input forms and tagging, if necessary. Per CAPP Manual Topic 30705, Surplus Property Management, assets are reclassified to surplus when the agency has determined that the asset has served its useful purpose, is no longer functional, cannot be repaired or improved, or is not needed within the agency. When the asset is not in current use and is located on-site at the agency, it should be classified as surplus.

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

Management should evaluate current inventory and tracking procedures and implement corrective action to ensure that fixed assets are monitored in accordance with state requirements. Management should ensure that discrepancies are corrected following a full inventory. Management should also ensure, when applicable, that a complete surplus audit trail is maintained for review.

2017-37: Properly Approve P-3 Forms

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Eastern Shore's Human Resources Manager is not obtaining proper approval for Report of Appointment or Change of Status (P-3 Forms). The P-3 Forms of all 15 salaried employees tested were not properly signed by an approving authority.

The Human Resource Policy Number 6.10- *Personnel Records Management* from the Department of Human Resource Management states, "changes in status must be recorded in classified employees' personnel files using the Report of Appointment or Change of Status (P-3) and/or Personal, Faculty and Miscellaneous (P-3a) forms, or the official agency substitute for these forms. These must be signed by the appropriate authority or designee to indicate approval." Without a properly approved P-3 Form, there is no documentation that Eastern Shore agreed to the terms of the P-3 Form, or support for the employee's employment and terms of employment.

Eastern Shore's Human Resources Department consists of one employee and has a limited amount of resources. Management should review current procedures and implement corrective action to ensure that all P-3 Forms are being signed by the approving authority.

2017-38: Properly Maintain Faculty Records

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Eastern Shore personnel are not properly retaining employee records. Out of the five adjunct faculty tested, the contract for one employee could not be located.

CAPP Manual Topic 21005 establishes the minimum retention periods for most State agency fiscal records, including payroll records. Proper file maintenance and record retention is necessary to

ensure that employee compensation is in accordance with the contracted rate. The cause of the missing contract is indeterminate. The inability to produce the contract resulted in a lack of audit trail and thus the auditor was unable to verify the accuracy of contractual payments.

Management should evaluate current procedures for completing and retaining adjunct faculty contracts. Management should implement corrective measures to ensure that all contracts are retained and available for audit purposes.

BLUE RIDGE COMMUNITY COLLEGE

2017-39: Ensure Accuracy in Reporting Accrued Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

The System's State Schedule 5 used to collect accrued payroll balances for Blue Ridge Community College (Blue Ridge) was not accurate for fiscal year 2017. As a result, the System overstated accrued payroll expenses and the corresponding liability by \$255,886.

Generally Accepted Accounting Principles, or GAAP, accrual basis of accounting using the economic resources measurement focus requires that the System record expenses when the corresponding liability is incurred, regardless of the timing of cash flows. As applied to payroll, the System must accurately report the liability and expenses at year-end for hours worked by the employee in which the employee will later receive compensation.

Incorrect reporting in the annual submitted schedules results in equivalent errors being reported in the consolidated System financial statements. The accrued payroll balances were overstated due to multiple keying errors within the supporting documentation.

Management should evaluate current procedures for the completion, review, and approval of the State Schedule 5. Management should strengthen current controls for identifying and resolving reporting discrepancies. Management should implement corrective action to ensure that future reporting is accurate.

2017-40: Perform Monthly Reconciliations Between the Benefits System and Other Systems

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Blue Ridge personnel are not performing monthly reconciliations as required between the benefits system and other systems prior to confirming the monthly snapshot. For both of the two months selected for testing (100%), Blue Ridge did not have documentation that the benefits system to other systems reconciliation was performed. CAPP Manual Topic 50410 states that reconciliations

should be performed monthly between the payroll system, the Commonwealth's HR system, and the benefits system. These reconciliations should happen before a contribution confirmation of benefits (snapshot) is submitted to the benefits system. By not performing reconciliations between the benefits system, the payroll system, and the human resource system, changes in employment information, such as employment status or salary information, could go uncorrected. This could result in over-distribution or under-distribution of benefits to employees.

Current practices emphasize the importance of certifying the snapshot before the 10th of the following month, but not completion of the reconciliation before the certification. Management should evaluate its existing instructions for completing the monthly retirement reconciliation and implement enhancements to ensure that the benefits, payroll and human resource system data are in agreement and, if applicable, reconciling items are identified and addressed prior to certification. Additionally, management should ensure that documentation of the reconciliation and resolution of reconciling items is retained.

2017-41: Improve Controls over Employee Terminations

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Blue Ridge is not properly retaining documentation for terminated employees. The following deficiencies were noted in our random sample of twelve terminated employees:

- For eight employees (67%), Blue Ridge did not retain documentation that terminated employees returned assigned Commonwealth property, security badges, or IDs;
- For eight employees (67%), documentation was not retained to show deactivation of access to Commonwealth systems; and
- For one employee (8%), there was no documentation supporting the termination date in the human resource system.

Additionally, six employees have an "active" status in the Commonwealth's payroll system, but are no longer working for Blue Ridge. We identified these terminated employees in comparing Blue Ridge's listing of terminated employees for fiscal year 2017 to a list produced by Accounts of employees with an "active" status but not currently receiving compensation.

Per CAPP Manual Topic 50320 agencies should develop a termination checklist that should include a section for collection of property. Additionally, the Security Policy and the Security Standard require management to review users' access rights at regular intervals, including after any termination of employment (*Security Policy Section: 9.2.5 Review of user access rights; Security Standard Section: 9.2.5 Review of user access rights*).

During the period under audit, Human Resources did not have an adequate separation checklist for adjunct or student employees. Of the eight employees with no documentation of access removal or collection of Commonwealth property, six were adjunct employees. Two of the eight employees were wage employees and lacked a completed separation checklist. Without proper and sufficient internal controls over terminated employees that ensure the return of Commonwealth property and the removal of all access privileges, there is an increased risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and access to sensitive information. It is our understanding that Human Resources has developed a separation checklist for all employees subsequent to fiscal year 2017.

Management should evaluate current employee separation procedures and ensure that employee separation forms that have been developed are completed for each employee upon termination. Documentation should be retained as evidence that controls over the removal of system access and collection of Commonwealth property for all employees were implemented as designed and operationally effective.

2017-42: Obtain Commonwealth Purchasing System Acceptable Use Agreements

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Blue Ridge information technology personnel did not obtain the Commonwealth Purchasing System Acceptable Use Agreement (Acceptable Use Agreement) prior to granting access for the two users tested. Commonwealth of Virginia Electronic Procurement System Security Standards requires the entity's Security Officer to ensure all entity users have signed the Acceptable Use Agreement and the entity maintains a copy either electronically or in hard copy form. An Acceptable Use Agreement shall be signed before access is given to a user. By not obtaining the Acceptable Use Agreement, the System cannot ensure that a user is aware of his or her responsibilities.

The Blue Ridge Information Technology Office utilizes a standardized form/checklist for granting system access to the Commonwealth purchasing system; however, the staff did not follow-up with each user to obtain a signed Acceptable Use Agreement when it was indicated on the checklist one was not obtained. Colleges should ensure they are obtaining the required Acceptable Use Agreement prior to granting access to new users.

2017-43: Properly Monitor Revenue Contract Deliverables

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Blue Ridge personnel did not properly monitor contract deliverables for two revenue generating contracts. While commission revenues were recorded in the accounting system, the following deficiencies were noted:

- The vending contractor did not provide a sales report for one out of 12 (8%) commission payments. Therefore, management was unable to verify the accuracy of the revenue received (average monthly commission payments is less than \$200).
- Without recourse to the contractor, five out of 12 (42%) exclusive beverage commission payments were not paid by the 15th of the subsequent month in accordance with the contract (average monthly commission payments is less than \$800).

Insufficient monitoring of contract deliverables may result in the System receiving incorrect or late commission payments. The Blue Ridge Business Office was experiencing some transition and restructuring due to the retirement of the Business Manager. In accordance with Chapter 10 of the APSPM, “each agency in its implementing procedures shall ensure that effective contract administration is included. For revenue contracts, it is imperative that agencies have some ability to verify gross sales.”

Blue Ridge management should evaluate its current procedures for monitoring revenue contract deliverables. Management should ensure that all Blue Ridge commission payments have been received timely and are properly supported by sales receipts. Management should consider the implementation of procedures to reinforce monthly contractual payment requirements.

NORTHERN VIRGINIA COMMUNITY COLLEGE

2017-44: Document Justification for Prepaying Expenses

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia Community College (Northern Virginia) did not document, as required, its justification for making prepayments near the end of fiscal year 2017. Additionally, for many of the advance payments, Northern Virginia did not perform a cost-benefit analysis prior to making the payments to determine if the prepayments were beneficial to the Commonwealth. At fiscal year-end, Northern Virginia processed 202 prepaid expense transactions totaling \$14.6 million for media services, subscriptions, leases, contracts, and other miscellaneous expenses. While some advance payments were consistent with standard industry practice, such as media buys or computer service contracts with year terms or less, other advance payments extended past the allowed maximum of one year. Three of the prepaid contracts had terms over the 12-month maximum limit.

CAPP Manual Topic 20310, Expenditures, allows advance payments that are normally prepaid as standard industry practice, or if making the prepayment is sufficiently cost beneficial to the Commonwealth. In addition, CAPP Manual guidance directs Commonwealth entities to encourage vendors to invoice on a monthly or quarterly basis in the absence of a sufficiently reduced annual pricing arrangement. Documentation to substantiate the decision to make the advance payments should be maintained and made available upon request.

Advance payments open up Northern Virginia to risks associated with non-performance and the possibility that vendors prepaid for a year of service file bankruptcy during the prepaid term. Additionally, funds allocated to advance payments could have been placed into an interest bearing account, providing for a potentially higher rate of return for the Commonwealth than prepayments made in absence of adequate cost savings. As there is no guarantee of performance of the vendor, prepaying for services is a risk that could potentially cost Northern Virginia legal fees to recover prepaid amounts, and possibly suspension of services while a new vendor is procured. Finally, the decision to make advance payments reduces the state funds available for the General Assembly to re-appropriate, if necessary, in the subsequent fiscal year.

Northern Virginia does not have a policy governing advance payments that requires support for the decision to prepay contracts and demonstrates justification for the increased risks associated with advance payments due to factors out of the control of the college, such as bankruptcy or non-performance of vendors. Lack of policies to seek sufficient cost savings also creates a situation where leases and other fixed contractual arrangements deliver negligible cost benefits to the Commonwealth, as costs are fixed by the contractual terms and would be the same prepaid or if billed monthly.

Northern Virginia should create a process that is in compliance with the CAPP Manual to ensure advance payments are allowable and justified sufficiently. Northern Virginia should ensure that the decision to make advance payments is adequately supported by documentation and that there is a sufficient cost benefit to the Commonwealth.

2017-45: Report Missing Assets

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia did not retain required documentation for asset disposals. Four assets reported as disposed in fiscal year 2017 were not documented with the Report of Loss to State-Owned Property (Attachment B), as required by Northern Virginia's Administrative Services Procedures Manual (ASPM). Additionally, Northern Virginia determined that 17 assets were missing during its fiscal year 2017 inventory; however, Northern Virginia did not complete the required report. Northern Virginia personnel stated that the 17 assets would be removed after the next inventory cycle in fiscal year 2019 if they are not able to locate the assets.

Section 12.2 of the ASPM states that all property reported missing must be reported to the College Police Department for investigation, as soon as the loss is discovered, and that the reporting requirement applies regardless of the dollar amount of the loss, which would include fully depreciated assets tracked in inventory. Additionally, Section 12.3.3 of the ASPM directs the responsible department to write off missing items that have not been located after one year. CAPP Manual Topic 30805 requires agencies to report lost or stolen inventory to agency security personnel. Furthermore, when an asset is ultimately disposed of after remaining missing for over one year, the required Attachment B would have to be provided to support the approval of disposal in the fixed asset system.

Lack of timely documentation of missing assets leads to a lack of transparency for Commonwealth assets that may have been stolen. Good stewardship of state assets is more attainable if adequate effort is made and documentation maintained to determine the disposition of missing assets. Properly documented forms and follow up by campus security could also have a deterrent effect to possible theft of state property, because departments would know that marking an item as missing would necessarily lead to an investigation. Inadequately following up on missing items provides opportunity for abuse, because there could be an increased perception that missing items do not matter. As state equipment is often used well past the fully depreciated period, the book value of an asset should not influence the need to follow up on missing assets with required documentation. Staff indicated that if the book value of an asset is zero, there is no justification for filing the reports. Additionally, management is not holding staff accountable when staff do not report missing assets.

Management should evaluate how departments are following internal policies and procedures over missing assets and inventories in accordance with the Northern Virginia's ASPM policies. Management should ensure that proper and required documentation is obtained prior to disposing of assets. Management should make departments aware that inventory is subject to theft and accurate reporting and documentation of missing items is crucial to good stewardship of state assets.

2017-46: Develop Procedures for Identifying Terminated Wage Employees

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Northern Virginia has not designed and implemented controls for identifying when certain wage employees are no longer working for Northern Virginia. As result, Northern Virginia is not removing access in a timely manner for certain types of terminated employees. Twelve out of 26 wage employees tested (46%) retained their system access after their termination date. Eight of the 12 employees (75%) were removed more than seven months after their termination date in the System's human resource system.

The Security Policy and the Security Standard require entities to retrieve all security-related organizational information system-related property upon termination of individual employment and advises organizations to disable information system access within five business days of employment termination (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.2.6 Removal or adjustment of user access rights*).

Delaying the removal of all access privileges increases the risk that terminated employees will have unauthorized access to Commonwealth property, including physical assets, systems, and sensitive information. When system access remains active for terminated employees there is the risk that false information, including timesheets for hours not worked, could be entered and subsequently paid.

While the Human Resources Data Operations (HR Data Operations) team performs procedures to identify and terminate adjunct teachers, it does not have formal procedures to identify other wage employees that are terminated. As a result, HR Data Operations is not identifying when certain wage

employees are terminating their employment with Northern Virginia. Therefore, HR Data Operations is not notifying the Information Technology Help Desk in a timely manner to remove the access for these terminated employees.

Northern Virginia should develop policies and procedures for identifying and terminating inactive wage employees. Management should require and monitor compliance with established human resources' policies and procedures for identifying and terminating inactive wage employees to ensure system access is removed timely. Additionally, Northern Virginia should develop a process for tracking system access removal requests to ensure access is removed timely.

2017-47: Improve Document Retention for Payroll

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Northern Virginia could not provide source documents supporting payroll expenses. For one of ten wage employees tested (10%), Northern Virginia had no documentation supporting the employee's pay rate. For eight out of 30 salaried employees tested (27%), there was no documentation supporting the employees' payroll coding.

The Department of Human Resource Management Policy 6.10, Personnel Records Management, requires agencies to maintain complete and accurate records regarding each employee and position. The official or master personnel file should include documents with original authorization signatures related to an individual's employment, including originals of the Report of Appointment or Change of Status and Personal, Faculty, and Miscellaneous forms, or the official agency substitute forms. The master personnel files are to be maintained in a secure location.

Without proper documentation supporting employee pay rates, there is an increased risk that incorrect pay rates have been entered into the System's human resource system and the Commonwealth's payroll system. Without proper documentation supporting pay coding, there are increased risks that payroll expenses are misclassified in the financial statements and grant guidelines are not being followed.

Northern Virginia's human resources' employees scanned all original source documents for hourly and salaried employees into its document imaging system, which serves as Northern Virginia's system of record for human resource files, and is in the process of scanning documents for adjunct employees. The original hard copy files were destroyed after the scanned copies were uploaded to the document system. Northern Virginia was unable to locate supporting documents requested in the document system or in a physical location.

Northern Virginia should properly enter and retain documents in the human resources document system related to hiring and pay changes to adequately support payroll expenses. Human resources should develop a policy and procedure to ensure all documents are properly scanned and indexed in the imaging system prior to destroying the original documents.

2017-48: Improve Process over Petty Cash

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

J. Sargeant Reynolds Community College (Reynolds) personnel are not properly using or accounting for their petty cash account. The following deficiencies were noted:

- The petty cash account is being maintained in a separate system and had not been included within schedules submitted to the System Office for inclusion in the financial statements;
- Travel advances were issued to employees through the petty cash account; and
- Travel advances were given for stays longer than one night.

Not recording this petty cash account within the System's accounting system resulted in the petty cash account being omitted from Schedule 2 (local) and created an overall understatement in the financial statements of \$17,422.

The VCCS Policy Manual, Section 4.2.2 (a), states that all activity for local and agency funds shall be accounted within the System's accounting system. Additionally, CAPP Manual Topic 20336 states that temporary travel advances may be made from an agency's private funds or State funds for a traveler who is going to travel on State business. Petty cash may not be used for travel advances to state employees. Finally, CAPP Manual Topic 20335 states that if circumstances make advance travel payments a necessity, advance payments are limited to a one-night deposit for direct bill payments.

Misstatement of the financial statements is possible as a result of accounts set up outside of the System's accounting system. Use of a petty cash system that is not in compliance with Commonwealth standards can undermine procurement rules and result in petty cash noncompliance. The agency may be at elevated level of risk for fraud, waste, abuse, and non-compliance if accounts are set up outside of the System's accounting system.

System management instructed all community colleges to either close their state petty cash accounts, or if needed, establish a local petty cash account in the System's accounting system. During the transition to the Commonwealth's new accounting and reporting system after fiscal year 2015, Reynolds did not coordinate with the System to set up a local petty cash account. Reynolds, instead set up a local petty cash account in an accounting system outside of the System accounting information system.

Management should ensure that the petty cash account is properly accounted for within the System Office's accounting system, and is properly presented in Reynolds' financial statement schedules. Additionally, management should ensure Reynolds' policies and procedures around petty cash and travel

advances are in compliance with the CAPP Manual and System policy, and monitor the petty cash fund for compliance.

2017-49: Improve Internal Controls over Terminated Wage Employees

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Reynolds did not consistently follow its written policies and procedures for terminated employees. For ten of the 12 wage employees sampled (83%), Reynolds had no documentation that the terminated employee returned assigned Commonwealth property, security badges, or IDs. In addition, one of the twelve wage employees (8%) retained access to Commonwealth systems for almost a year after termination until the auditor discovered it.

The Security Policy and the Security Standard instructs community colleges to reconsider the access rights of terminated employees or employees changing positions within the system. Changes in employment should be reflected in the removal of all access that are not approved for new employment. The Security Policy defines access rights that should be removed as: physical and logical access, keys, identification cards, information systems and data, subscriptions, and removal from any documentation that identifies them as a current member of the community college. Finally, the Security Policy advises the community college to disable information system access upon employment termination, and in cases where evaluation of risk of access indicates, removal from systems access may be deemed necessary for certain employees prior to termination (*Security Policy Section: 9.2 User Access Management; Security Standard Section: 9.2.6 Removal or adjustment of access rights*).

Without proper and sufficient internal controls over terminated employees that ensure the return of Commonwealth property and removal of all access privileges, there is an increased risk that terminated employees may retain physical access to Commonwealth property, unauthorized access to state systems, and access to sensitive information.

While Reynolds' Policy 3-16 details the responsibilities of all parties in the termination of employment, the policy is unclear in regards to the responsibilities of human resources in documenting and ensuring that Commonwealth property assigned to wage employees and security items are returned timely and that terminations are communicated to all departments timely. Communication between several departments appears to be a challenge, resulting in a lack of documentation and timely knowledge of wage terminations in the Human Resources Department.

Management should ensure policies and procedures clearly communicate responsibilities of human resources related to terminated employees. Additionally, management should communicate to supervisory staff the importance of termination procedures that ensure the return of Commonwealth property and removal of access for terminated employees to Commonwealth systems in a timely manner. Supervisory staff should coordinate adequately and timely with the Human Resources Department and follow policies consistently for wage and salaried employees. Finally, management should ensure that the Human Resources Department monitors the other departments to ensure they are consistently compliant with termination policies.

FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

STUDENT FINANCIAL AID FEDERAL ACCREDITATION

Eastern Shore and Rappahannock Community Colleges are in their reaccreditation cycle. Findings within this section are a result of audit work performed to determine if the institutions are in compliance with its program responsibilities under Title IV of the most recent Higher Education Act.

2017-50: Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Rappahannock Community College (Rappahannock) personnel did not report enrollment data to the National Student Loan Data System accurately and timely. Of the 37 student tested, we noted the following deficiencies:

- The enrollment status and effective date for 28 students (76%) was not reported accurately;
- The student status change for 37 students (100%) was not reported timely; and
- An additional 25 students identified during the return of Title IV review had an incorrect last date of attendance for withdrawal purposes thus impacting the accuracy and timeliness of enrollment reporting.

The accuracy of Title IV student loan records depends heavily on the enrollment information reported by schools. By not submitting timely and accurate data to the National Student Loan Database System, Rappahannock can affect the enrollment history for a particular student and the reliance other higher education institutions place on the data when making aid decisions. Noncompliance may also have implication on an institution's participation in Title IV programs.

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

2017-51: Properly Perform Title IV Calculations**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Rappahannock did not properly calculate or return Title IV funds for students that officially or unofficially withdrew from courses thus impacting the amount of earned federal financial aid. The following deficiencies were noted:

- For two students (17%), the last date of attendance was not properly identified which resulted in \$423.62 in questioned costs not being returned to the U.S. Department of Education;
- For two students (17%), unearned Title IV funds were not returned within 45 days of the institution's determination that the students had withdrawn; and
- An additional 25 students were determined to have been assigned an incorrect last date of attendance (March 27, 2017) thus impacting the accuracy of return of Title IV calculations.

Code of Federal Regulations, 34 CFR 668.22(a) states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. Additionally, CFR 668.22 (j) states that an institution must return the amount of title IV funds for which it is responsible as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

Management should evaluate current policies and procedures for calculating Title IV returns to ensure they are compliant with the Code of Federal Regulations. Management should strengthen procedures for ensuring the proper last date of attendance is captured, accurate calculations are performed, and funds are returned timely to the U.S. Department of Education. Management should consider implementing an additional level of review before finalizing each calculation.

2017-52: Identify and Address Reconciling Items Timely**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

Rappahannock personnel have maintained a reconciling item of \$1,099.72 within their Federal bank account for an extended period of time. Out of the three monthly reconciliations tested, all three had the unaddressed reconciling item. Additionally, this reconciling item has been carried over from the 2016 fiscal year. Reconciling items within the Federal bank account may be deemed as excess cash by the U.S. Department of Education. The cause of the reconciling item is indeterminate. Unresolved reconciling items may result in an underpayment to the U.S. Department of Education or a federal financial aid recipient.

CFR 668.166 states that excess cash is any amount of title IV funds that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary, or deposited those funds to its Federal account for previously disbursed title IV funds, such as those resulting from award adjustments, recoveries, or cancellations. An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount remaining in the account after the seven-day tolerance period.

Management should evaluate current policies and procedures for completing federal financial aid reconciliations. During the reconciliation process, any reconciling items should be identified and addressed. Management should research the reconciling item identified during the audit and take corrective action to resolve the discrepancy. Given the timing and amount of the reconciling item, management should consider initially contacting the U.S. Department of Education to determine the proper course of action to resolve the outstanding item.

2017-53: Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Eastern Shore personnel did not report enrollment data to the National Student Loan Data System (NSLDS) accurately and timely. Of the thirty-three students tested, we noted the following deficiencies:

- For 13 students (39%), the effective enrollment status date was incorrectly reported;
- One student (3%) had an inaccurate enrollment status in NSLDS; and
- The change in enrollment status for six students (18%) was not reported timely.

The accuracy of Title IV student loan records depends heavily on the enrollment information reported by schools. By not submitting timely and accurate data to NSLDS, Eastern Shore can affect the enrollment history for a particular student and the reliance other higher education institutions place on the data when making aid decisions. Noncompliance may also have implication on an institution's participation in Title IV programs.

Management should perform a comprehensive review of current enrollment reporting policies and procedures. Management should implement corrective action to prevent future noncompliance. Management should consider implementing a QCR process to monitor the submission of enrollment batches. One of these options may be a QCR workgroup comprised of those employees involved in the enrollment reporting process. However, the type of QCR process implemented should be determined by management.

STUDENT FINANCIAL AID PRIOR YEAR FINDINGS

The following findings are the result of follow-up procedures we performed during our fiscal year 2017 audit. In the fiscal year 2017 Single Audit for the Commonwealth of Virginia, management reported the following findings as having a current status of “corrective action is ongoing.” During the 2018 Single Audit, we will perform additional follow-up procedures and report our results as required.

2017-54: Improve Compliance over Enrollment Reporting

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2015)

*Applicable to: Central Virginia Community College
Germanna Community College
John Tyler Community College
Paul D. Camp Community College
Southwest Virginia Community College
Virginia Highlands Community College*

These institutions did not properly report enrollment changes to the U.S. Department of Education using the NSLDS:

Central Virginia Community College (Central Virginia) did not accurately report the student enrollment in NSLDS for 11 out of 56 students (19%), and did not report the student enrollment timely to the NSLDS for 16 out of 56 students (28%). The untimely and inaccurate information transmissions are due to an operational change made by the National Student Clearinghouse (NSC).

Germanna Community College (Germanna) did not accurately report the student enrollment in NSLDS for 18 out of 22 students (82%), and did not report the student enrollment timely to the NSLDS for eight out of 22 students (36%). The untimely and inaccurate information transmissions are due to unresolved batch reporting issues.

John Tyler Community College (John Tyler) was deemed to still be non-compliant in regards to enrollment reporting as a result of a programmatic review performed by the U.S. Department of Education.

Paul D. Camp did not accurately report the student enrollment in NSLDS for 12 out of 22 students (55%), and did not report the student enrollment timely to the NSLDS for 15 out of 22 students (68%). The untimely and inaccurate information transmissions are due to the NSC rejecting Paul D. Camp’s submissions due to errors by Paul D. Camp and the NSC.

Southwest Virginia Community College (Southwest Virginia) did not accurately report the student enrollment in NSLDS for two out of 24 students (8%), and did not report the student enrollment timely

to the NSLDS for two out of 24 students (8%). The untimely and inaccurate information transmissions are due to an operational change made by the NSC.

Virginia Highlands Community College (Virginia Highlands) did not accurately report the student enrollment in NSLDS for three out of 27 students (11%), and did not report the student enrollment timely to the NSLDS for five out of 27 students (19%). The untimely and inaccurate information transmissions are due to an operational change made by the NSC.

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

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

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

2017-55: Perform and Document Monthly Reconciliations of Direct Loans

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2015)

Applicable to: Central Virginia Community College

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

Central Virginia has not been reconciling the ending cash balance amounts using any accounting records. Additionally, no notations were found indicating that the monthly SAS reports had been reviewed or reconciled with Central Virginia's accounting records.

In accordance with Code of Federal Regulations 34 C.F.R. §685.300(b) and 34 C.F.R. §685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides colleges with a SAS data file, which consists of Cash Summary, Cash Detail, and Loan Detail

Records reports to aid in this reconciliation process. The Student Financial Aid Handbook, maintained by the U.S. Department of Education, further details that the institution should identify any discrepancies and take necessary corrective action to ensure discrepancies will not recur in the following month.

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

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



Martha S. Mavredes, CPA
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Auditor of Public Accounts

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July 16, 2018

The Honorable Terence R. McAuliffe
Governor of Virginia

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

State Board for Community Colleges
Virginia Community College System

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the **Virginia Community College System** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated July 16, 2018. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the System, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The System's Response to Findings

We discussed this report with management at an exit conference held on July 16, 2018. The System's response to the findings identified in our audit are described in the accompanying section titled "Virginia Community College System – Responses to Audit Findings." The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

We did not audit the implementation of corrective actions for all findings in the prior year audit. Due to the timing of the findings issued in the previous year's report, the colleges may not have

implemented corrective action prior to the end of the fiscal year under audit. Review of the corrective action plans for these findings will occur during subsequent audits of the System.

With respect to prior nonfederal audit findings that we followed up on this year, the System has not taken adequate corrective action to resolve findings entitled, “2017-14: Deactivate Terminated User Access Timely,” “2017-26: Deactivate Terminated User Access Timely,” and “2017-33: Improve Process over Employee Terminations.” Accordingly, we designated these findings with a “repeat” label in the section titled “Financial Internal Control and Compliance Findings.”

With respect to prior federal student financial aid audit findings that we followed up on this year, individual community colleges have not taken adequate corrective action to resolve findings entitled, “2017-54: Improve Compliance over Enrollment Reporting” and “2017-55: Perform and Document Monthly Reconciliations of Direct Loans.” These findings are in the section titled “Federal Internal Control and Compliance Findings” under the “Student Financial Aid Prior Year Findings” heading.

Purpose of this Report

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

AUDITOR OF PUBLIC ACCOUNTS

GDS and JRQ/clj

APPENDIX I
SCHEDULE OF FINDINGS IN REPORT ORDER

Entity/Report ID Number	Finding Title	Topic
Shared Services Center (SSC)		
2017-01	Encourage the Communication of Responsibilities for Shared Services	Other
2017-02	Through a Separate Evaluation, Monitor the Internal Controls of the Shared Services Center	Other
2017-03	Confirm that No Reconciliation is Appropriate	Small Purchase Charge Card
2017-04	Retain Supporting Documentation for Payments	Other
System Office (SO)		
2017-05	Improve Effectiveness of System Access Controls	Access Control
2017-06	Improve Software Patching and Vulnerability Mitigation Efforts	Information System Security
2017-07	Improve Web Application Security	Information System Security
2017-08	Complete a Risk Assessment for Each Sensitive System	Information System Security
Thomas Nelson Community College (TNCC)		
2017-09	Ensure Everyone Knows How to Send Sensitive Information Securely	Other
2017-10	Comply with Prompt Payment Requirement	Other
2017-11	Improve Segregation of Duties between Human Resources and Payroll	Access Control
2017-12	Ensure Terminated Employees are Properly Classified in the Payroll System	Human Resources and Payroll
2017-13	Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements	Small Purchase Charge Card
2017-14	Deactivate Terminated User Access Timely	Access Control
2017-15	Ensure Employee Clearance Forms are Completed at Termination	Human Resources and Payroll
2017-16	Ensure Access to Commonwealth’s Retirement Benefits System is Controlled Across the System	Access Control
2017-17	Ensure Reconciling Inventory Items Are Properly Classified	Capital Assets
2017-18	Report Allowance for Doubtful Accounts Quarterly	General Accounting
Paul D. Camp Community College (PDCCC)		
2017-19	Ensure Revenue Contracts are Valid	Procurement
2017-20	Ensure Leave Liability Report is Complete	Human Resources and Payroll
2017-21	Implement Proper Procedures for Classifying Missing Assets	Capital Assets
2017-22	Establish Chain of Custody Protocol for Critical Documentation	Human Resources and Payroll
Southside Virginia Community College (SVCC)		
2017-23	Reconcile Benefits System to Other Systems	Human Resources and Payroll
2017-24	Improve Human Resources Data Reconciliation Procedures	Human Resources and Payroll
2017-25	Improve Internal Controls over Terminated Employees	Human Resources and Payroll
2017-26	Deactivate Terminated User Access Timely	Access Control
2017-27	Maintain Legal Agreements	Procurement
2017-28	Improve Fixed Asset Inventory and Tracking	Capital Assets
2017-29	Verify Daily Cash Settlement Reports Timely	General Accounting
2017-30	Ensure Revenue Journal Entries are Approved Timely	General Accounting
2017-31	Improve Controls over Payroll Processing	Human Resources and Payroll
Eastern Shore Community College (ESCC)		
2017-32	Improve Benefits System Reconciliation Process	Human Resources and Payroll
2017-33	Improve Process over Terminated Employees	Human Resources and Payroll
2017-34	Improve Human Resources Data Reporting Procedures	Human Resources and Payroll
2017-35	Improve Documentation of Policies and Procedures	Other
2017-36	Improve Fixed Asset Controls	Capital Assets
2017-37	Properly Approve P-3 Forms	Human Resources and Payroll
2017-38	Properly Maintain Faculty Records	Human Resources and Payroll
Blue Ridge Community College (BRCC)		
2017-39	Ensure Accuracy in Reporting Accrued Payroll	Human Resources and Payroll
2017-40	Perform Monthly Reconciliations Between the Benefits System and Other Systems	Human Resources and Payroll
2017-41	Improve Controls over Employee Terminations	Human Resources and Payroll
2017-42	Obtain Commonwealth Purchasing System Acceptable Use Agreements	Procurement
2017-43	Properly Monitor Revenue Contract Deliverables	Procurement
Northern Virginia Community College (NVCC)		
2017-44	Document Justification for Prepaying Expenses	General Accounting
2017-45	Report Missing Assets	Capital Assets
2017-46	Develop Procedures for Identifying Terminated Wage Employees	Human Resources and Payroll
2017-47	Improve Document Retention for Payroll	Human Resources and Payroll
J. Sargeant Reynolds Community College (JSRCC)		
2017-48	Improve Process over Petty Cash	General Accounting
2017-49	Improve Internal Controls over Terminated Wage Employees	Human Resources and Payroll
Student Financial Aid - Rappahannock Community College (RCC)		
2017-50	Improve Reporting to National Student Loan Data System	Student Financial Aid
2017-51	Properly Perform Title IV Calculations	Student Financial Aid
2017-52	Identify and Address Reconciling Items Timely	Student Financial Aid
Student Financial Aid - Eastern Shore Community College (ESCC)		
2017-53	Improve Reporting to National Student Loan Data System	Student Financial Aid
Student Financial Aid - Prior Year Findings - Central Virginia, Germanna, John Tyler, Paul D. Camp, Southwest Virginia, and Virginia Highlands Community College		
2017-54	Improve Compliance over Enrollment Reporting	Student Financial Aid - Follow up
Student Financial Aid - Prior Year Findings - Central Virginia Community College (CVCC)		
2017-55	Perform and Document Monthly Reconciliations of Direct Loans	Student Financial Aid - Follow up

APPENDIX I SCHEDULE OF FINDINGS BY TOPIC		
Finding Topic/Report ID Number	Finding Title	Applicable To
Human Resources and Payroll		
2017-12	Ensure Terminated Employees are Properly Classified in the Payroll System	TNCC
2017-15	Ensure Employee Clearance Forms are Completed at Termination	TNCC
2017-20	Ensure Leave Liability Report is Complete	PDCCC
2017-22	Establish Chain of Custody Protocol for Critical Documentation	PDCCC
2017-23	Reconcile Benefits System to Other Systems	SVCC
2017-24	Improve Human Resources Data Reconciliation Procedures	SVCC
2017-25	Improve Internal Controls over Terminated Employees	SVCC
2017-31	Improve Controls over Payroll Processing	SVCC
2017-32	Improve Benefits System Reconciliation Process	ESCC
2017-33	Improve Process over Terminated Employees	ESCC
2017-34	Improve Human Resources Data Reporting Procedures	ESCC
2017-37	Properly Approve P-3 Forms	ESCC
2017-38	Properly Maintain Faculty Records	ESCC
2017-39	Ensure Accuracy in Reporting Accrued Payroll	BRCC
2017-40	Perform Monthly Reconciliations Between the Benefits System and Other Systems	BRCC
2017-41	Improve Controls over Terminated Employees	BRCC
2017-46	Develop Procedures for Identifying Terminated Wage Employees	NVCC
2017-47	Improve Document Retention for Payroll	NVCC
2017-49	Improve Internal Controls over Terminated Wage Employees	JSRCC
Other		
2017-01	Encourage the Communication of Responsibilities for Shared Services	SSC
2017-02	Through a Separate Evaluation, Monitor the Internal Controls of the Shared Services Center	SSC
2017-04	Shared Services Center - Retain Supporting Documentation for Payments	SSC
2017-09	Ensure Everyone Knows How to Send Sensitive Information Securely	TNCC
2017-10	Comply with Prompt Payment Requirement	TNCC
2017-35	Improve Documentation of Policies and Procedures	ESCC
Student Financial Aid		
2017-50	Improve Reporting to National Student Loan Data System	RCC
2017-51	Properly Perform Title IV Calculations	RCCA
2017-52	Identify and Address Reconciling Items Timely	RCC
2017-53	Improve Reporting to National Student Loan Data System	ESCC
Student Financial Aid - Prior Year Findings		
2017-54	Improve Compliance over Enrollment Reporting	Multiple Schools
2017-55	Perform and Document Monthly Reconciliations of Direct Loans	CVCC
Access Control		
2017-05	Improve Effectiveness of System Access Controls	SO
2017-11	Improve Segregation of Duties between Human Resources and Payroll	TNCC
2017-14	Deactivate Terminated User Access Timely	TNCC
2017-16	Ensure Access to Commonwealth’s Retirement Benefits System is Controlled Across the System	TNCC
2017-26	Deactivate Terminated User Access Timely	SVCC
General Accounting		
2017-18	Report Allowance for Doubtful Accounts Quarterly	TNCC
2017-29	Verify Daily Cash Settlement Reports Timely	SVCC
2017-30	Ensure Revenue Journal Entries are Approved Timely	SVCC
2017-44	Document Justification for Prepaying Expenses	NVCC
2017-48	Improve Process over Petty Cash	JSRCC
Capital Assets		
2017-17	Ensure Reconciling Inventory Items Are Properly Classified	TNCC
2017-21	Implement Proper Procedures for Classifying Missing Assets	PDCCC
2017-28	Improve Fixed Asset Inventory and Tracking	SVCC
2017-36	Improve Fixed Asset Controls	ESCC
2017-45	Report Missing Assets	NVCC
Procurement		
2017-19	Ensure Revenue Contracts are Valid	PDCCC
2017-27	Maintain Legal Agreements	SVCC
2017-42	Obtain Commonwealth Purchasing System Acceptable Use Agreements	BRCC
2017-43	Properly Monitor Revenue Contract Deliverables	BRCC
Information System Security		
2017-06	Improve Software Patching and Vulnerability Mitigation Efforts	SO
2017-07	Improve Web Application Security	SO
2017-08	Complete a Risk Assessment for Each Sensitive System	SO
Small Purchase Charge Card		
2017-03	Confirm that No Reconciliation is Appropriate	SSC
2017-13	Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements	TNCC



July 16, 2018

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

Dear Ms. Mavredes:

We are providing this letter in response to your report on the audit of the financial records of the Virginia Community College System for the fiscal year ended June 30, 2017.

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

If you have any questions, please contact Donna VanCleave, VCCS Vice Chancellor, Administrative Services, at (804) 819-4695.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn DuBois", is written over a faint, larger signature.

Glenn DuBois
Chancellor

GD/dv

Enclosure

cc: Ms. Donna VanCleave

VIRGINIA COMMUNITY COLLEGE SYSTEM – RESPONSES TO AUDIT FINDINGS

SHARED SERVICES CENTER

2017-01: **Encourage the Communication of Responsibilities for Shared Services**

Management Plan for Corrective Action for the Shared Service Center:

The Service Level Agreements are a key foundational item of a successful shared services organization. Executive leadership at the System Office and the Shared Services Center understand the importance of establishing the service level agreements to document and clearly communicate responsibilities, goals, and performance metrics. During the first two years of establishing the Center, the focus has been on improving processes through the implementation waves and then developing the SLAs to document the final processes. However, going forward, SLAs will be developed and signed after the pilot phase for implementation of new services is complete and then the agreements will be reevaluated after full implementation to reflect changes and improvements made throughout the roll-out waves. SLAs for services currently provided by the SSC will be developed and signed by SSC, colleges, and System Office partners by November 30, 2018.

Position Responsible: Director of Shared Services

Completion Date: November 30, 2018

2017-02: **Through a Separate Evaluation, Monitor the Internal Controls of the Shared Services Center**

Management Plan for Corrective Action for the Shared Service Center:

The VCCS is committed to establishing the Independent Validation and Verification (IV&V) function for the Shared Service Center in the Internal Audit and Consulting Department. The Department has been actively engaged with the SSC Management Council and Process Councils including the metrics development team. The Director has evaluated the structure and resources needed to sufficiently monitor and report on the internal controls for services provided by the Center. The funding for the resources needed for the IV&V services will be provided in the FY 2019 budget with the recruitment process beginning September 2018.

Position Responsible: Vice Chancellor for Administration

Completion Date: Staff supporting the IV&V function will be hired with the recruitment process beginning in September 2018. Once established, that role will provide ongoing monitoring of the SSC since processes change and continuous improvement initiatives are implemented.

2017-03: **Confirm that No Reconciliation is Appropriate**

Management Plan for Corrective Action for the Shared Service Center:

As a result of the Center being a newer entity within the System, Center management was not aware of the CAPP Manual requirement for notification to supervisors for SPCC holders with zero activity in any month and did not set the expectation for staff to confirm in writing why a reconciliation was not performed. Management has set up a process to ensure staff are aware of the requirement to confirm in writing that no SPCC reconciliation is appropriate and management should use this information as a control to ensure that staff are completing all required SPCC reconciliations. Cards have been limited to three individuals.

Position Responsible: Director of Shared Services

Completion Date: June 15, 2018

2017-04: **Retain Supporting Documentation for Payments**

Management Plan for Corrective Action for the Shared Service Center:

Thomas Nelson and Paul D Camp Community Colleges were two of the four pilot colleges for the Procure-to-Pay process. The Shared Services Center (SSC) started processing payments for the two colleges on March 7, 2017. The two vouchers mentioned in the report were vouchered on March 29, 2017 and April 11, 2017. During the pilot stage, the colleges and SSC had deletion capability, but two important steps have been implemented since then to prevent this issue from occurring and to improve internal controls over user access and deletion capabilities in the document scanning and storage system. First, the audit function in the document scanning and storage system has been activated which provides an audit trail of who deletes an item. Second, the ability to delete an item has been removed for all users except the role of the power users.

Position Responsible: Director of Shared Services

Completion Date: June 15, 2018

SYSTEM OFFICE

2017-05: **Improve Effectiveness of System Access Controls**

Management Plan for Corrective Action for System Office:

Throughout the year, the Lead Senior Information Security Officer within the Security Risk and Compliance (SRC) staff conducts a minimum of four WebEx conference calls to update college Enterprise Applications Security Administrators on security access matters, new role additions and changes, and answer questions related to security. During these calls, the colleges are provided an opportunity to communicate and refine their understanding or confusion about

the capabilities, roles and privileges. In addition, the colleges have open opportunities to submit a “ticket” inquiring about the assignment of security roles that might result from employee changes and segregation of duties.

The SRC staff maintains detailed documentation about all roles, permissions, navigation to menus, components, pages, etc. on the VCCS intranet site. This site is available to ALL college Application Security Administrators, and to the best of our knowledge, used to acquire materials for supporting their user’s requests for system access. During FY17, the SRC staff partnered with Fiscal Services and delivered a training session to the college Business Office staff and Security Administrators. Other functional training by the Fiscal Services staff is provided at the bi-annual VCCS Administrative Services Conference.

The VCCS System Office believes these procedures adequately provide support to college Application Security Administrators for systems access. The VCCS operates under a distributed security model, where security officers and business office management at each college are responsible for assignment of college user roles and preferences in VCCS systems. Furthermore, college management is responsible for assessing risks, including those resulting from resource limitations, and designing and implementing effective internal controls to mitigate those risks that are deemed unacceptable.

Position Responsible: VCCS Controller and Chief Information Security Officer

Completion Date: June 30, 2019

2017-06: **Improve Software Patching and Vulnerability Mitigation Efforts - FOIAE**

Management Plan for Corrective Action for System Office Information Systems:

Acknowledging specific control weaknesses and compliance references communicated in a separate document to management marked Freedom of Information Act Exempt (FOIAE) under §2.2-3705.2 of the *Code of Virginia*, the VCCS offers the following remedies in response:

By October 1, 2018, ITS will update the client software to a newer and compatible version on end-user computing devices. ITS will automate a process to version check and deploy any relevant updates.

By January 1, 2019, ITS will take the following actions:

- Review and modify the system hardening guideline
- Formally document security exceptions
- Document system availability changes
- Create a biannual patch schedule to improve the patch frequency
- Create a biannual patch process

- Identify the hardware and staffing requirements necessary to complete the biannual patching processes
- Install the latest compatible patches
- Install the latest compatible patches on servers
- Review and modify the process for vulnerability identification and management to include documentation of existing or supplementary controls used to mitigate risk until permanent security patches can be obtained, tested, and implemented

Position Responsible: VCCS Director, Enterprise Operations Support Center

Completion Date: See above

2017-07: **Improve Web Application Security**

Management Plan for Corrective Action for System Office Information Systems:

Develop and finalize a process to review all VCCS hosted public facing applications to prevent the disclosure of sensitive system information to the public. The process will include an annual review of existing applications as well as a review and sign-off prior to moving any new self-hosted applications to production.

Position Responsible: Director, Business Applications & Integration Services

Completion Date: August 1, 2018

2017-08: **Complete a Risk Assessment for Each Sensitive System**

Management Plan for Corrective Action for System Office Information Systems:

Develop and finalize Risk Assessments for VCCS Sensitive Systems as identified by the System Office Business Impact Assessment (BIA) and as prioritized for disaster recovery in the Information Technology Services Disaster Recovery Plan (ITDRP). Risk Assessments will be developed using a template recently adopted for risk assessment by the Security, Risk, and Compliance Team. The goal is to develop Risk Assessments for top-tier enterprise sensitive systems, present these Risk Assessments to management for review and approval, and update the Risk Assessments when significant system change occurs or on an annual basis. The goal is to develop on average two Risk Assessments per month with a target completion of May 2019.

Position Responsible: Chief Information Security Officer

Completion Date: May 1, 2019

THOMAS NELSON COMMUNITY COLLEGE

2017-09: **Ensure Everyone Knows How to Send Sensitive Information Securely**

Management Plan for Corrective Action for Thomas Nelson Community College:

The College will develop policies and procedures on the proper electronic transmission of sensitive data. Training will be provided to employees on how to utilize tools to secure sensitive information.

Position Responsible: Director of Human Resources

Completion Date: October 31, 2018

2017-10: **Comply with Prompt Payment Requirement**

Management Plan for Corrective Action for Thomas Nelson Community College:

Thomas Nelson Community College management reviews invoices that are batched for processing on a regular basis. During management's review, it was found that an employee failed to properly calculate and process payments in accordance with prompt pay guidelines. Management took corrective action as the employee was given a Notice of Improvement Needed/Substandard Performance as well as a formal improvement plan indicating adherence to the CAPP manual requirements.

Invoice payments are also dependent on the timely receipt of goods and services from external departments. Invoices cannot be paid until notice of receipt is provided. With the transition to the Shared Service Center, receiving is completed in the state procurement system. The College will formulate guidelines that specify how to handle the untimely receipt of goods and services.

Position Responsible: Associate Vice President of Financial Services

Completion Date: October 31, 2018

2017-11: **Improve Segregation of Duties between Human Resources and Payroll**

Management Plan for Corrective Action for Thomas Nelson Community College:

Functional roles have been reviewed and access changes will be requested to inactivate those employees with improper access. The College will continue to monitor access and make necessary changes to ensure that staff have only the access needed based on the principle of least privilege.

Position Responsible: Director of Human Resources

Completion Date: October 31, 2018

2017-12: **Ensure Terminated Employees Are Properly Classified in the Payroll System**

Management Plan for Corrective Action for Thomas Nelson Community College:

Thomas Nelson HR department has several concerns about the timing of this citation. The timeframe evaluated may have fallen outside of the service agreement period between Thomas Nelson and Paul D. Camp. The 861 report for employees at Paul D. Camp may pertain to a time when that specific responsibility was not the responsibility of TNCC.

Having stated that, TNCC is committed to term out employees. The College will regularly complete a review of the 861 report for all Thomas Nelson employees to ensure employees are terminated in the human resources system and removed from the Commonwealth's payroll system following the final schedule pay day. Additionally, TNCC will monitor and document the review of the 861 report to indicate that adjuncts' status, as well as other employees, remain active, as appropriate.

Position Responsible: Director of Human Resources

Completion Date: October 31, 2018

2017-13: **Perform Small Purchase Charge Card Reconciliations in Accordance with Commonwealth Requirements**

Management Plan for Corrective Action for Thomas Nelson Community College:

The College will ensure that the new Business Office Manager understands the necessary compliance requirements for the administration of the Small Purchase Charge Card program. Additionally he/she will review all monthly submissions including confirmation of zero activity and coordinate with the Shared Service Center with any compliance related issues.

Position Responsible: Associate Vice President of Financial Services

Completion Date: October 31, 2018

2017-14: **Deactivate Terminated User Access Timely**

Management Plan for Corrective Action for Thomas Nelson Community College:

Thomas Nelson Information Technology department will take the lead in coordination with Human Resources to develop a plan whereby college departments are provided prompt notification of employee separations. They will specify the roles of the specific departments and identify steps to remove access to various systems in a timely manner.

Position Responsible: Interim Director of Information Technology

Completion Date: October 31, 2018

2017-15: **Ensure Employee Clearance Forms Are Completed at Termination**

Management Plan for Corrective Action for Thomas Nelson Community College:

The College will review the current clearance process and make modifications to ensure that all terminated employees complete a clearance form and are properly removed from systems and access to buildings and other Commonwealth property are removed. Additionally, current systems will be utilized to assist in the identification of terminated/separated employees.

Position Responsible: Director of Human Resources

Completion Date: October 31, 2018

2017-16: **Ensure Access to Commonwealth's Retirement Benefits System is Controlled Across the System**

Management Plan for Corrective Action for Thomas Nelson Community College:

Thomas Nelson's Human Resource Director verified that myVRS access has been terminated for the staff member with Paul D. Camp Community College. The service level agreement for human resource functions with Paul D. Camp has ended; therefore, VRS access will only need to be monitored for TNCC employees. Human Resources will ensure access for Thomas Nelson personnel is granted/removed in accordance with the Commonwealth's Information Security Standard.

Position Responsible: Director of Human Resources

Completion Date: October 31, 2018

2017-17: **Ensure Reconciling Inventory Items Are Properly Classified**

Management Plan for Corrective Action for Thomas Nelson Community College:

Thomas Nelson's Fixed Asset Management Procedures require account managers to manage, track, and account for assets assigned to the operations they manage. The Fixed Asset Coordinator serves as a custodian of the information and status of assets.

TNCC will develop an official APM policy formally specifying the requirements of account managers to account for and manage assets under their control. This policy will also require the Fixed Asset Coordinator to perform annual inventory spot checks of randomly selected departments to monitor and ensure compliance with this policy. Reinforcement of this policy with strengthen managerial oversight of fixed assets.

Position Responsible: Manager of Facilities and Capital Outlay

Completion Date: October 31, 2018

2017-18: **Report Allowance for Doubtful Accounts Quarterly**

Management Plan for Corrective Action for Thomas Nelson Community College:

The College agrees that the allowance for doubtful accounts was not reflected on the first three quarters of the Quarterly Receivable Report. Thomas Nelson management analyzed the allowance calculation and determined that it was immaterial based on the review of the amount of the receivables being reported as past due was less than 1% of total receivables. For the last quarter report which is used for financial statement preparation, an allowance of \$425 was reported.

The college will ensure that the new business office manager accurately reports the allowance for doubtful accounts on all future receivable reports

Position Responsible: Associate Vice President of Financial Services

Completion Date: October 31, 2018

PAUL D CAMP COMMUNITY COLLEGE

2017-19: **Ensure Revenue Contracts Are Valid**

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

Prior to the Service Level Agreement (SLA) with Thomas Nelson, Paul D Camp did not have a valid contract which adhered to the APSPM for vending services and commissions. Paul D Camp has a joint contract with Thomas Nelson which is now administered by the Shared Services Center (SSC) of VCCS which was approved March 2017 and is still in effect. Paul D Camp is now part of the VCCS Shared Service Center where procurement is managed for the college. Through the Office of the Operations Manager, Paul D Camp will work with SSC to ensure all contracts are submitted through the requisition process in the state procurement system and formally approved and will follow APSPM procurement procedures. Commission reports are received monthly from the contractor where the Operations Manager at Paul D Camp and the Local Accountant at Thomas Nelson will ensure the commissions are calculated accurately and paid according to the contract.

Position Responsible: Paul D. Camp Community College Operations Manager

Completion Date: The College has taken immediate action to ensure all contracts are submitted to the SSC through the state procurement system.

2017-20: **Ensure Leave Liability Report is Complete**

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

Under a Service Level Agreement, Thomas Nelson Community College prepares the financial statement schedules on behalf of Paul D. Camp Community College. For FY17, Thomas Nelson Community College was responsible for the completion of the Virginia Community College System's Annual Financial Statement Schedules including Schedule 7 which is used to report accrued leave liability.

Payroll for Paul D Camp is now the responsibility of the Virginia Community College's Shared Service Center and the SSC will be completing Schedule 7 for FY2018 for Paul D Camp Community College and submitting to Thomas Nelson Community College's Office of Finance and Administration for inclusion in the College's Financial Statements Schedules.

Position Responsible: Payroll Manager for VCCS Shared Services Center

Completion Date: The Payroll Department at Shared Service Center will ensure all employees are properly accounted for FY2018 effective July 2018.

2017-21: **Implement Proper Procedures for Classifying Missing Assets**

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

Personnel at Paul D Camp Community College who is responsible for handling Fixed Assets was not aware of Section 3 of the System's Capital Asset Policies and Procedures Manual which requires that items missing during a physical inventory to be classified as "lost" and not immediately classified as "disposed" in the system. Training has been administered and the individual is now properly trained and understands Section 3 of the System's Capital Asset Policies and Procedures Manual. The College will ensure all individuals working with Fixed Assets are trained on the Fixed Asset Manual.

Position Responsible: Paul D. Camp Community College Operations Manager

Completion Date: Additional training on the System's Capital Asset Policies and Procedures Manual will be administered by December 2018.

2017-22: **Establish Chain of Custody Protocol for Critical Documentation**

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

The HR Director for Paul D Camp has reviewed the College's Policy 308, Human Resource/ Management Responsibility and Policy 480 Records Management Program. These policies will be updated to specifically address the maintenance and retention of Federal Work Study Students' employment files. The HR Director will meet with the Director of the college's Federal

Work Study Program to ensure the policies are being properly administered. The current process is to require the completion of the College's Notice of Separation form for all student employees, regardless of whether the separation is initiated by the student, supervisor or financial aid. This is noted in the Federal Work Study Handbook. All supervisors are required to complete the Notice of Separation from all exiting employees.

The HR director will perform an internal review of the Federal Work Study Students' employment files within six months to assure policy compliance. The HR Director will also review and update all policies and enforce these policies in regards to all personnel files.

Position Responsible: Paul D. Camp Community College Human Resource Manager

Completion Date:

Review Policy 305 Human Resource Management /Responsibility and Policy 480 Records management Program by June 30, 2018.

Perform an internal review of Federal Work Study Students' employment files by June 30, 2018.

Review and update policies of Federal Work Study employees related to employment files by September 30, 2018.

Train all college supervisors on the procedures for the Notice of Separation form for the College by September 30, 2018.

Update existing policies and procedures in regards to all personnel files by December 31, 2018.

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE

2017-23: Reconcile Benefits System to Other Systems

Management Plan for Corrective Action for Southside Virginia Community College:

Southside has been confirming the VRS Snapshot in the benefits system prior to reconciliation due to the absence of payroll staff and lack of resources in Human Resources. Southside's payroll services are now being performed by the Shared Services Center for the Virginia Community College System. The VRS reconciliation is a part of those services and will begin in July 2018.

Position Responsible: SVCC HR Director in conjunction with the SSC

Completion Date: July 10, 2018

2017-24: **Improve Human Resources Data Reconciliation Procedures**

Management Plan for Corrective Action for Southside Virginia Community College:

Southside Virginia Community College (The College) is performing reconciliations over The College's human resources management system. The College's human resources management system does not interface with the Commonwealth's human resources system; therefore, when the Human Resources Department makes a change in the College's human resources management system, they also must make a change in the Commonwealth's human resources management system. The College completes a monthly reconciliation of the Commonwealth's human resources system to the College human resource management system but does not have a formal process for this function. Southside will implement a formal process for this reconciliation.

The \$13,535 error discovered by the auditor was not due to incorrect salary data or failure to reconcile systems, rather to an isolated employment instance and calculation that was not covered in the VCCS Leave Liability instructions/report. The employee was on a leave of absence with partial pay, which was keyed correctly into the Commonwealth's human resources system and the College's human resources management system according to instructions. This included adding the number of hours the employee would work while in that status. When the leave liability was generated, it calculated her hourly rate with the reduced hours which affected the leave liability line item.

The College will address this problem with the VCCS to prevent future miscalculations with either a change to the program or an additional review step at the College level.

Position Responsible: SVCC HR Director

Completion Date: August 16, 2018

2017-25: **Improve Internal Controls over Terminated Employees**

Management Plan for Corrective Action for Southside Virginia Community College:

Southside Virginia Community College personnel are not properly completing the termination process for employees that have terminated employment with the College. The College is currently using a software program for Exits. This is not an efficient program because it does not send out automatic reminders and requires manual, human oversight daily to ensure compliance. The College will develop and implement an Exit process in the offboarding system to process exits. The offboarding system has embedded, automatic reminders along with a dashboard for Human Resources to track progress.

Position Responsible: SVCC HR Director

Completion Date: September 10, 2018

2017-26: **Deactivate Terminated User Access Timely**

Management Plan for Corrective Action for Southside Virginia Community College:

In conjunction with item 2017-26, the exit system at Southside Virginia Community College will be replaced with an offboarding system to provide timely reminders for terminations. The VCCS procurement/IT security/system administration Shared Services team will deliver both the procurement system and security administration services. The college is in the first implementation wave to begin on Monday, July 2, 2018. The College Coordinator will be able to track the notifications of terminations through the VCCS ticketing system instead of waiting on email response from the DGS representative. The College Coordinator will post a monthly reminder on the Southside Workplace page to remind supervisors to submit termination notices per the college policy.

Position Responsible: SVCC Software Applications Systems Administrator

Completion Date: July 2, 2018

2017-27: **Maintain Legal Agreements**

Management Plan for Corrective Action for Southside Virginia Community College:

The Administrative Assistant to the Vice President of Finance and Administrative Services will maintain files physically and electronically for all contracts for Southside Virginia Community College and will also maintain a spreadsheet for all revenue contracts and expenditure contracts. The Administrative Assistant will verify that the proper revenue payments are being remitted to the college according to the contractual requirements. This will be reviewed regularly by the Vice-President of Finance and Administration.

Position Responsible: Vice President of Finance and Administration

Completion Date: August 1, 2018

2017-28: **Improve Fixed Asset Inventory and Tracking**

Management Plan for Corrective Action for Southside Virginia Community College:

SVCC has edited the college's current Fixed Asset Policy as of June 26, 2018 to more efficiently and effectively meet the guidelines set forth in CAPP Topic No. 30505 and in the VCCS Capital Asset Policy. The revised policy includes implementing a Sampling Methodology to be conducted periodically to verify groups of fixed assets based on a sampling plan chosen by the

Fixed Asset Coordinator in addition to the bi-annual physical inventory count. This process will be implemented July 1, 2018.

The SVCC VP of Finance and Administration will communicate to the leadership team the importance of Fixed Asset Inventory control and tracking; encouraging them to have their faculty and staff properly affix assigned inventory tags to equipment, notify the business office of location changes of equipment, surplus equipment that is damaged or not used within a certain time frame, and notify the business office of lost, stolen or surplus equipment. These points will be discussed with President's Staff, communicated to all faculty and staff at annual fall convocation scheduled for August 16, 2018 and sent as a written communication.

The SVCC accountant has requested and obtained additional guidance from VCCS and APA on assigning nomenclature codes/profile IDs to assets (which assign a useful life) and has requested guidance on how to adjust useful life of items that may have been added with an incorrect nomenclature code to more accurately assign useful life within the asset management system.

Position Responsible: Accountant (Financial Services Specialist I)

Completion Date: July 1, 2018

2017-29: **Verify Daily Cash Settlement Reports Timely**

Management Plan for Corrective Action for Southside Virginia Community College:

Southside Virginia Community College maintains cashier's offices on the Christanna Campus and the Daniel Campus. The office on each campus is staffed by a full-time cashier and a part-time cashier who accept funds, deposit funds, key these deposits into the accounting system, and prepare a Daily Cash Settlement Report each day. The cashiers on each campus will scan their daily cash settlement report and all backup into a shared google drive each day. The other campus cashiers will review and verify their counterparts' daily cash settlement within two days of occurrence.

Position Responsible: Business Manager

Completion Date: July 1, 2018

2017-30: **Ensure Revenue Journal Entries Are Approved Timely**

Management Plan for Corrective Action for Southside Virginia Community College:

The Computer Operations Technician runs the daily revenue journal entries from the student information system and emails these journal entries to the part-time cashier and the

Business Office Specialist. The part-time cashier keys these entries into the accounting system when received. In her absence, the Business Office Specialist will ensure that these entries are keyed and given to the Business Manager or the Accountant to review and post. The Business Office Specialist will maintain a spreadsheet to ensure that all revenue general ledger entries are accounted for and keyed and posted into the accounting system accurately and at all times within three business days of occurrence.

Position Responsible: Business Manager

Completion Date: July 1, 2018

2017-31: **Improve Controls Over Payroll Processing**

Management Plan for Corrective Action for Southside Virginia Community College:

Payroll reconciliation was being performed at the College, however with no remaining payroll staff it was difficult to present evidence of this activity. In a closer review of the documentation provided in the audit (document titled: 2016 33 reconciliation), SVCC offers the following clarification regarding maintaining control totals as audit evidence supporting that these items were being reconciled or had no balances to reconcile:

OASDI Company Taxable Wages - Employee OASDI Taxable
HI Company Taxable Wages - Employee HI Taxable Wages
Medicare Employee Wages - 0 for the year, no totals to track/reconcile
Medicare Company Wages - 0 for the year, no totals to track/reconcile
Earned Income Credit Payments - No totals to track
Medicare Employee Tax Withheld - 0 for the year, no totals to track/reconcile
Medicare Company Tax Paid - 0 for the year, no totals to track/reconcile

Southside's payroll services are now being performed by the Shared Services Center for the Virginia Community College System. Payroll reconciliation and payroll post-certification review is a part of those services and will begin in July 2018.

Position Responsible: SVCC HR Director in conjunction with the SSC

Completion Date: July 1, 2018

EASTERN SHORE COMMUNITY COLLEGE

2017-32: **Improve Benefits System Reconciliation Process**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will compose and adopt a written procedure for reconciling the VRS data for each snapshot confirmation to ensure completion of the snapshot by the 10th of the following

month. The “HR System Cancelled Records” reports will be run and reviewed on a regular basis as part of the reconciliation process. Management will monitor adherence to written policies to ensure that the reconciliation between the HR system and benefits system is performed appropriately.

Position Responsible: ESCC Human Resources Manager

Completion Date: December 31, 2018

2017-33: **Improve Process over Employee Terminations**

Management Plan for Corrective Action for Eastern Shore Community College:

In coordination with the Information Technology Department, Human Resources Department and Payroll Department, management will develop and implement an Exit Process that will ensure compliance with the audit findings.

Position Responsible: ESCC Human Resources Manager

Completion Date: August 31, 2018

2017-34: **Improve Human Resources Data Reporting Procedures**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will compose and adopt stronger protocols for ensuring that salary changes to staff are entered into both the College system and the Commonwealth system more timely, and with greater accuracy. Written policies and procedures will be improved to include more comprehensive instructions on data discrepancy and resolution.

Position Responsible: ESCC Human Resources Manager

Completion Date: December 31, 2018

2017-35: **Improve Documentation of Policies and Procedures**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will prioritize and allocate resources needed in order to comprehensively document departmental policies and procedures.

Position Responsible: Vice President of Finance and Administration

Completion Date: June 30, 2019

2017-36: **Improve Fixed Asset Controls**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will work with Fixed Asset Coordinator to make sure that all fixed assets are coded in the college's asset management system and all transactions are recorded timely in the asset management system. Additionally, ESCC will adhere to CAPP Topic 30705, whereby a physical inventory is taken every two years with discrepancies resolved timely, and surplus property is properly accounted for and reviewed by management.

Positions Responsible: Vice President of Finance and Administration
Fixed Asset Coordinator

Completion Date: December 31, 2018

2017-37: **Properly Approve P-3 Forms**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will review the P-3 and P-3a forms and determine whether to create an official ESCC form as a suitable substitute. The Human Resources Manager will review the P-3/P-3a/substitute forms submitted to ensure that the forms are signed by an approving authority.

Position Responsible: ESCC Human Resources Manager

Completion Date: September 30, 2018

2017-38: **Properly Maintain Faculty Records**

Management Plan for Corrective Action for Eastern Shore Community College:

Management will work with the Human Resources office and the Academic VP's office to relocate all adjunct faculty files to the Human Resources office. The Human Resources Manager will develop procedures for the removal adjunct faculty files when needed by the Academic VP's office.

Position Responsible: ESCC Human Resources Manager

Completion Date: December 31, 2018

BLUE RIDGE COMMUNITY COLLEGE

2017-39: **Ensure Accuracy in Reporting Accrued Payroll**

Management Plan for Corrective Action for Blue Ridge Community College:

The data retrieved for State Schedule 5 is a manual process. The Payroll Coordinator will review data for discrepancies and complete a comparison analysis of prior year amounts before submission to the business office.

Position Responsible: Director of Finance and Facilities

Completion Date: July 2018

2017-40: **Perform Monthly Reconciliations Between the Benefits System and Other Systems**

Management Plan for Corrective Action for Blue Ridge Community College:

Before the benefits system Snapshot Certification, the Payroll Coordinator will provide the necessary PAT Report to the Benefits Administrator; the Benefits Administrator will compare the PAT Report to the Pre-Snapshot File in the benefits system. Together, the Benefits Administrator and Payroll Coordinator will review the snapshot totals to determine if they match prior month payroll system deduction reports. When identified discrepancies occur, the Benefits Administrator and Payroll Coordinator will work together to determine the cause and ensure they are corrected; documentation will be maintained in the monthly reconciliation files showing causes and corrections. At the end of the month, in the Post-Certification Process, the Payroll Coordinator PC and Benefits Administrator will review necessary DOA reports to ensure all past discrepancies have been corrected.

Position Responsible: Human Resources Director

Completion Date: Fall 2018

2017-41: **Improve Controls over Employee Terminations**

Management Plan for Corrective Action for Blue Ridge Community College:

HR Staff will work with Technology Services and the College's Webmaster to develop an online/electronic separation checklist process for ALL classifications of employees (including full-time, wage, adjunct, and student workers). This separation and checklist process will be initiated by managers as soon as they are aware that an employee is intending to separate employment. HR Staff will follow up to ensure all checklist items are completed when employee is terminated in all systems.

To ensure employees are terminated in a timely manner, HR Staff will continually review DOA Report 861 and will coordinate timely terminations with all Divisions and Departments. According to the DOA Report 861, employees who have not been paid in the past 12 months will be terminated in all systems unless they have a signed contract for the current or following semester completed and on file with HR.

Position Responsible: Human Resources Director

Completion Date: Fall 2018

2017-42: **Obtain Commonwealth Purchasing System Acceptable Use Agreements**

Management Plan for Corrective Action for Blue Ridge Community College:

The Information Technology Office has been trained to require the Acceptable Use Agreement and the form is identified on the internal checklist. The number of new users for the purchasing system is extremely limited. The Procurement Officer will request a copy of the Acceptable Use Agreement for each new user as verification.

Position Responsible: Director of Finance and Facilities

Completion Date: Immediately

2017-43: **Properly Monitor Revenue Contract Deliverables**

Management Plan for Corrective Action for Blue Ridge Community College:

The Procurement Officer and Director of Finance & Facilities will improve contract language to ensure business office staff and vendors understand commissions must be received by the due date not postmarked and that detailed sales reports are required. The Procurement Officer will contact the vendor when commissions and reports are not received by the due date.

Position Responsible: Director of Finance and Facilities

Completion Date: Fall 2018

NORTHERN VIRGINIA COMMUNITY COLLEGE

2017-44: **Document Justification for Prepaying Expenses**

Management Plan for Corrective Action for Northern Virginia Community College:

When an invoice is properly approved following established order and receiving procedures, NVCC considers the expenditure both justified and beneficial to the college. Most of the prepaid items fall under CAPP Manual topic 20310 paragraph Allowable Advance Payments: Written Contracts, Leases, or Agreements. This paragraph encourages but does not

require monthly or quarterly invoicing. Many prepaid items are annual maintenance contracts which is the preferred vendor invoice period or facility lease payments where the commitments are long-term.

NVCC made a diligent effort to watch for prepayments extending longer than a year. When the College enters into a multi-year agreement, a request is made to the vendor to invoice NVCC on an annual basis. NVCC will continue to watch for and enforce this policy. NVCC will also document the process used to determine that the prepayments are in compliance with CAPP Manual Topic 20310.

Position Responsible: Controller

Completion Date: June 30, 2018

2017-45: **Report Missing Assets**

Management Plan for Corrective Action for Northern Virginia Community College:

NVCC's Administrative Services Procedures Manual (ASPM) last updated in July of 2016, serves as the managing document for proper inventory control; yet, ASPM Section 12.2 include procedures regarding stolen, missing, damaged, or destroyed property that do not accurately reflect the practices followed by the college staff when removing lost or stolen equipment from inventory. This inaccuracy resulted in discrepancies between the tested process (per ASPM 12.2 and 12.3.3 written policy) and the process utilized by staff.

NVCC fully recognizes the need for improved control of its assets, including updated policies and procedures that will accurately define how and when lost, stolen, and missing items shall be reported to Risk Management and/or the NOVA Police, with applicable forms, regardless of book value. In addition, the college is currently reorganizing the staff involved in fixed asset management processes (Campus Warehouse/Storeroom Staff, Central Warehouse Staff). As a result of this restructuring, the warehouse and campus storeroom staff shall be centrally managed by a newly defined Property Control & Warehouse Services Manager position who will have the responsibility of upholding fixed asset procedures with direct supervisory oversight (college-wide). This centralized span-of-control on the process will allow for added process controls, and the ability to ensure consistent and accurate application of fixed asset policies and procedures at all of the college's locations.

Position Responsible: Associate Vice President, Administration

Completion Date: December 31, 2018

2017-46: **Develop Procedures for Identifying Terminated Wage Employees**

Management Plan for Corrective Action for Northern Virginia Community College:

The supervisor is the first person to become aware of wage employees who are no longer working. Supervisors are responsible for reminding employees to complete the HR: Letter of Resignation/Retirement form (105-021) prior to their departure. If the employee leaves without submitting the form, the supervisor is responsible for completing the form immediately after the last day of employment. An e-mail notification to all the supervisors was sent out in July 2017 reminding them of this responsibility.

To ensure timely removal of wage employees from NVCC systems, HR will conduct monthly audits of all wage employees and send the list of these employees to the supervisors. Supervisors will be asked to review the list to identify wage employees who have left and instructed to complete the 105-021 to terminate the employees immediately. Additionally, another email will be sent out, reminding supervisors of their responsibility to remind employees who are departing to complete the 105-021 form or to complete the form on behalf to the employee if the employees leaves without completing the form.

Position Responsible: Director of Human Resources

Completion Date: December 31, 2018

2017-47: **Improve Document Retention for Payroll**

Management Plan for Corrective Action for Northern Virginia Community College:

Over the last several years, Human Resources (HR) has transitioned to a document imaging system (image now) that provides greater security of personnel records, eliminates time consuming tasks and creates gained efficiency in business practices. All personnel files of hourly and salaried employees have been scanned. NVCC is in the process of scanning the adjunct files. In addition, all new employee documents are scanned. Any missing records identified during the audit were likely because hard copies were not available to scan.

HR continues to make improvements. The personnel records that are scanned are now secure and records are only viewable/editable by the HR staff. NVCC's current process is that supervisors are responsible for entering the correct budget code when completing the Position Management page in NVCC's applicant tracking system to fill a position. The budget codes are reviewed by the budget office. Once a candidate is hired, the payroll coding and salary information are copied to the TPS report in the onboarding system. If any budget changes take place after the hire, supervisors complete the Personnel Action Form (105-094) and HR ensures that the record is entered into the personnel file in image now and shared with payroll to update the payroll system.

Position Responsible: Director of Human Resources

Completion Date: December 31, 2018

J. SARGEANT REYNOLDS COMMUNITY COLLEGE

2017-48: Improve Process over Petty Cash

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

The College will coordinate with the System office by June 30, 2018 to ensure the recording of the local petty cash account in the General Ledger and Local Schedule 2 for financial statements purposes for FY18. Effective July 1, 2018, Reynolds will have dissolved the locally-funded petty cash and will process travel advances using local agency funds. In addition, Reynolds will continue to maintain compliance with all policies outlined by the CAPP Manual and VCCS.

Positions Responsible: Accounting Manager and Senior Fiscal Technician

Completion Date: July 1, 2018.

2017-49: Improve Internal Controls over Terminated Wage Employees

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

The Office of Human Resources proposes the following changes to the separation process for part-time employees:

- The Office of Human Resources will conduct a monthly review of wage positions and will move to “separated” in the VCCS human resource system those wage employees who have not worked in three (3) months. The hiring manager will be notified of this action, as well the Department of Technology so that information systems access may be terminated.
- The Office of Human Resources will develop a supervisor’s sign-off form which the hiring manager will be required to sign verifying that either a) the part-time employee was not issued any Commonwealth property; or b) the supervisor has collected all Commonwealth property issued to the part-time employee. This form will be returned to the Office of Human Resources and will be maintained in the employee’s official personnel file.

Position Responsible: Recruitment and Wage Employment Coordinator (Office of Human Resources)

Completion Date: The proposed revisions to Reynolds Policy 3.16, Employee Separation from College Service, will be completed and presented to the Reynolds Leadership Council (RLC) by June 28, 2018.

FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

STUDENT FINANCIAL AID FEDERAL ACCREDITATION

RAPPAHANNOCK COMMUNITY COLLEGE

2017-50: **Improve Reporting to National Student Loan Data System**

Management Plan for Corrective Action for Rappahannock Community College:

Rappahannock Community College will devote the time and resources necessary to follow existing policies and procedures as related to updating files and will perform a comprehensive review of current enrollment reporting policies and procedures. Management will implement a quality control review (QCR) process to monitor the submission of enrollment batches whereby the batches are processed by the Student Records and Information Manager and reviewed by the College Registrar to prevent future noncompliance.

Position Responsible: Coordinator of Financial Aid

Completion Date: August 1, 2018

2017-51: **Properly Perform Title IV Calculations**

Management Plan for Corrective Action for Rappahannock Community College:

Management will evaluate current policies and procedures for calculating Title IV returns to ensure they are compliant with the Code of Federal Regulations and Education guidelines. Management will strengthen procedures for identifying a student's last date of attendance and ensure that funds are returned to the Department of Education timely. The Financial Aid Office will process students included on the R2T4 report on a weekly basis. A recurring reminder will be established to check on the prior semester for any grade changes that would cause the student to show late on the R2T4 list. A spreadsheet was created to track students as a secondary level of review to ensure that calculations are accurate. The calendar that is loaded in the system is also reviewed and Sundays are now included in the calendar when calculating holiday breaks.

The College will be hiring a new Coordinator of Financial Aid that will work closely with the employee completing the R2T4 transactions to ensure that calculations are being completed in accordance with federal regulations.

Position Responsible: Coordinator of Financial Aid

Completion Date: July 2, 2018.

2017-52: **Identify and Address Reconciling Items Timely**

Management Plan for Corrective Action for Rappahannock Community College:

Management will evaluate current policies and procedures for completing federal financial aid reconciliations to ensure that the current procedures specify the time frame and manner with which to resolve reconciling items. During the reconciliation process, any reconciling items will be identified and addressed in a timely manner. Management will research the reconciling item identified during the audit and take corrective action to resolve the discrepancy.

Position Responsible: Business Manager

Completion Date: August 1, 2018.

EASTERN SHORE COMMUNITY COLLEGE

2017-53: **Improve Reporting to National Student Loan Data System**

Management Plan for Corrective Action for Eastern Shore Community College:

The College understands that the accuracy of Title IV student loan records depends heavily on the enrollment information reported by schools.

The effective enrollment status date was incorrectly reported to NSLDS because the National Student Clearinghouse was changing the confer date on ESCC's upload file to the last day of exams for the semester. The Registrar contacted the Clearinghouse concerning the incorrect reporting of the effective enrollment status date and asked that they not change our confer date. We will continue to monitor NSC reports to verify this request is being followed.

In regards to the timeliness of enrollment status reporting and the inaccurate reporting of the enrollment status, the VCCS has successfully implemented unofficial withdrawal logic in the National Student Clearinghouse process. The unofficial withdraw logic will automatically report this information in the monthly upload process. To ensure the accuracy of the data submitted, the Financial Aid Coordinator will work with the Registrar to review and correct error reports and resubmit them to the National Student Clearinghouse.

Position Responsible: Financial Aid Coordinator

Completion Date: October 31, 2018.

STATE BOARD FOR COMMUNITY COLLEGES

As of June 30, 2017

James Cuthbertson, Chair
Eleanor B. Saslaw, Vice-Chair

Carolyn S. Berkowitz	Idalia P. Fernandez
Nathaniel L. Bishop	Douglas M. Garcia
Thomas A. Brewster	Susan Tinsley Gooden
David E. Broder	William C. Hall, Jr.
Benita Thompson Byas	Joseph F. Smiddy
Darren Conner	Walter A. Stosch
Robin Sullenberger	

COMMUNITY COLLEGE PRESIDENTS

As of June 30, 2017

Blue Ridge Community College	Dr. John A. Downey
Central Virginia Community College	Dr. John Capps
Dabney S. Lancaster Community College	Dr. John J. Rainone
Danville Community College	Dr. Bruce R. Scism
Eastern Shore Community College (Interim President)	Dr. William T. Greer, Jr.
Germanna Community College	Dr. Janet Gullickson
J. Sargeant Reynolds Community College	Dr. Gary L. Rhodes
John Tyler Community College	Dr. Edward Raspiller
Lord Fairfax Community College	Dr. Kim Blosser
Mountain Empire Community College	Dr. Kristen Westover
New River Community College	Dr. Patricia B. Huber
Northern Virginia Community College	Dr. Scott Ralls
Patrick Henry Community College	Dr. Angeline D. Godwin
Paul D. Camp Community College	Dr. Daniel Lufkin
Piedmont Virginia Community College	Dr. Frank Friedman
Rappahannock Community College	Dr. Elizabeth H. Crowther
Southside Virginia Community College	Dr. Alfred A. Roberts
Southwest Virginia Community College	Dr. Tommy Wright
Thomas Nelson Community College	Dr. John T. Dever
Tidewater Community College	Dr. Edna Baehre-Kolovani
Virginia Highlands Community College	Dr. Gene C. Couch, Jr.
Virginia Western Community College	Dr. Robert H. Sandel
Wytheville Community College	Dr. Dean Sprinkle