



VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of Virginia Polytechnic Institute and State University as of and for the year ended June 30, 2018, and issued our report thereon, dated November 28, 2018. Our report, included in the University's Financial Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.vt.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

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

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University did not report enrollment data to the National Student Loan Data System (NSLDS) accurately and timely. We tested thirty students with an enrollment status of either “Graduated” or “Withdrawn.” For the thirty students tested, we noted the enrollment status was incorrectly reported for three students (10%).

In accordance with Code of Federal Regulations 34 CFR 685.309 and further outlined in the NSLDS Enrollment Guide, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. By not submitting timely and accurate data to the NSLDS, the University can affect the reliance placed by the Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implications on an institution’s participation in Title IV programs.

The University should consider implementing additional controls to monitor the submission of enrollment batches and ensure the accuracy of reporting at both the campus and program levels in the NSLDS.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 28, 2018

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
Virginia Polytechnic Institute and State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 28, 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 University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting entitled "Improve Reporting to National Student Loan Data System," which is described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be a significant deficiency.

Compliance and Other Matters

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

The University's Response to Findings

We discussed this report with management at an exit conference held on December 11, 2018. The University's response to the finding identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

AUDITOR OF PUBLIC ACCOUNTS

JMR/vks

December 16, 2018

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

Dear Ms. Mavredes:

We have reviewed the audit finding and recommendation resulting from the fiscal year 2018 audit by the Auditor of Public Accounts (APA) and Virginia Tech concurs with the audit finding. The following contains the APA's finding and management's response to the finding.

Finding of the APA:

Improve Reporting to National Student Loan Data System

The University did not report enrollment data to the National Student Loan Data System (NSLDS) accurately and timely. We tested thirty students with an enrollment status of either "Graduated" or "Withdrawn". For the thirty students tested, we noted the enrollment status was incorrectly reported for three students (10%).

In accordance with Code of Federal Regulations 34 CFR 685.309 and further outlined in the Enrollment Guide, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. By not submitting timely and accurate data to the NSLDS, the University can affect the reliance placed by the Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implications on an institution's participation in Title IV programs.

The University should consider implementing additional controls to monitor the submission of enrollment batches and ensure the accuracy of reporting at both the campus and program levels in the NSLDS.

University Response:

The identified enrollment reporting issue is not affecting all students who are reported Graduated (G) to NSLDS. Virginia Tech provides electronic updates to the National Student Clearinghouse and thus NSLDS every 21 days. Our study of the records identified that updates of enrollment status were not reported to NSLDS in instances where Virginia Tech's subsequent submissions to National Student Clearinghouse were not applied to individual students. We have learned that participation in the Clearinghouse's degree verify (DV) program creates conflicting results, in some instances, on which "Graduated" statuses are applied from the file submissions. Specifically, the G to DV process that the National Student Clearinghouse uses to report graduates from subsequent enrollment files omits students who have a graduation record

without a corresponding enrollment entry. Virginia Tech has met with the National Student Clearinghouse and will begin providing a separate graduation file to the Clearinghouse to ensure all G records are reported to NSLDS. The production of this file, testing with the National Student Clearinghouse, and creation of an auditing process will be completed by March 31, 2019.

Responsible Person: Rick A. Sparks Jr.
Associate Vice Provost for Learning Systems Innovation and Effectiveness and
University Registrar

Completion Date: March 31, 2019

Sincerely,



Kenneth Miller
AVP for Finance & University Controller
Virginia Tech

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

As of June 30, 2018

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