

VIRGINIA COLLEGE SAVINGS PLAN

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2012**



AUDIT SUMMARY

We have audited the basic financial statements of the Virginia College Savings Plan as of and for the year ended June 30, 2012, and issued our report thereon, dated November 1, 2012. Our report, included in the Virginia College Savings Plan's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov.

Our audit of the Virginia College Savings Plan for the year ended June 30, 2012, found:

- the financial statements are presented fairly, in all material respects;
- a matter involving internal control requiring management's attention; however we do not consider it to be a material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Enhance Access Controls

The access controls of the Virginia College Savings Plan (Plan) have evolved over the years and in some cases do not address the implementation of the new Banner financial system as well as the interfaces with the student account systems. Additionally, some employees retained access levels as they changed positions within the Plan.

We found instances of employees who had access to sensitive forms in the Banner System which are not necessary to perform their core job responsibilities. In addition, the Plan has not implemented system controls which ensure proper segregation of duties for several business processes, which Banner includes as either part of the workflow process or part of the system application.

The Plan should consider each employee's access to all functions across all systems when managing access and assign access in accordance with the principle of least privilege. Without the proper system controls in place, the Plan is not able to properly monitor or prevent actions taken by employees. Inappropriate access to the agency's systems reduces management's ability, in the normal course of performing their assigned functions, to prevent, or detect errors in a timely basis.

For the future, the Plan should improve its access review process to ensure that access is only granted based on the principle of least privilege and that levels of access are updated as employees change positions. The Plan should also consider segregation of duties within the system. By improving the access review process to include consideration of sensitive forms and segregation of duties, the Plan's overall level of risk will decrease.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 1, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia College Savings Plan

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

We have audited the basic financial statements of the **Virginia College Savings Plan** as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with 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.

Management of the Virginia College Savings Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Virginia College Savings Plan's internal control over financial reporting as a basis for designing our auditing procedures 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 Virginia College Savings Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Virginia College Savings Plan'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control

over financial reporting entitled “Enhance Access Controls” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Virginia College Savings Plan’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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Virginia College Savings Plan’s response to the finding identified in our audit is included in the section titled “Agency Response.” We did not audit the Virginia College Savings Plan’s response and, accordingly, we express no opinion on it.

Status of Prior Findings

The Virginia College Savings Plan has taken adequate corrective action with respect to audit findings reported in the prior year.

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, Board Members and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on November 19, 2012.

AUDITOR OF PUBLIC ACCOUNTS

WJK/clj



COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, Richmond, VA 23236

Mary G. Morris
Chief Executive Officer

November 1, 2012

Mr. Walter Kucharski
Auditor of Public Accounts
101 N. 14th Street
Richmond, Virginia 23219

Dear Mr. Kucharski,

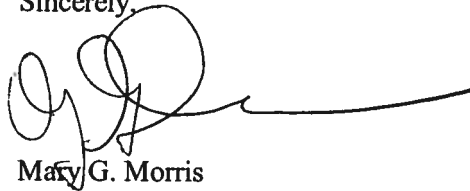
I appreciate your time and effort dedicated to the Plan's system of internal controls during this year's annual audit, specifically your observations regarding access to the Banner Finance and College Savings Systems. I concur with the finding and recognize that the Plan currently does not entirely rely on system controls for business processes. Sufficient system and manual internal controls are in place to ensure (i) that transactions are properly initiated, approved, recorded and monitored, and (ii) that Plan assets are safeguarded. Although the controls in place are sufficient to monitor activity and prevent or detect errors in a timely fashion, opportunities remain to improve operational efficiency and better utilize the Banner Finance and College Savings Systems controls and workflows in our business processes and management will continue to identify and implement those controls.

In response to this finding, Plan staff reviewed access for 99 forms/reports in Banner that were deemed sensitive, including forms that contain personal information. As a result of this review, access changes were made related to the ongoing implementation of Banner Finance, which includes (i) continued segregation and refinement of certain duties as we complete training to establish back-ups, and also to refine duties within Accounting post Banner Finance go-live, and (ii) continued changes in processes such as settlement. Other changes included utilizing the "form to employee" review used by APA staff, which allows us to more easily identify and address access issues as compared to the "employee to form" review previously used. Staff will utilize this review process in the future as well as strive to improve the consolidation of access in certain classes. Staff is currently reviewing all Banner classes that may be granted to individual users to better ensure that access is granted in accordance with the principle of least privilege.

Mr. Walter Kucharski
Auditor of Public Accounts
November 1, 2012
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As we proceed to integrate the Banner College Savings System with Banner Finance and continue our financial controls project, management will evaluate opportunities to change processes to increase reliance on system controls.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mary G. Morris', with a long horizontal line extending to the right.

Mary G. Morris

pc: Sherri Wyatt, CCO
Gary Ometer, CFO

VIRGINIA COLLEGE SAVINGS PLAN
Richmond, Virginia

BOARD MEMBERS
as of June 30, 2012

Mr. Shawn P. McLaughlin, Chairman

Mr. Vincent D. Carpenter, Vice-Chairman

Mr. Peter A. Blake

Dr. Glenn Dubois

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CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris