VIRGINIA COMMUNITY COLLEGE SYSTEM

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2013

Auditor of Public Accounts
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AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Community College System as of and for the year ended June 30, 2013, and issued our report thereon, dated August 21, 2014. Our report, included in the System's basic financial statements, is available on 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 the major federal programs of the Student Financial Assistance Programs Cluster and TRIO Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and found internal control findings requiring management's attention and instances of noncompliance in relation to the Student Financial Assistance Programs Cluster; however, no internal control findings or instances of noncompliance were noted in relation to the TRIO Cluster.

The System has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Systems Access

Improve Segregation of Duties within Financial Systems

Applicable to: Central Virginia Community College (CVCC)
Eastern Shore Community College (ESCC)
Southside Virginia Community College (SVCC)
Paul D. Camp Community College (PDCCC)

Certain colleges are not properly segregating duties within financial systems. Our review found instances where ESCC and SVCC did not adequately segregate duties within the Administrative Information System (AIS) or the Student Information System (SIS). As a compensating control to mitigate the risk of improperly segregated access in AIS, the System Office developed reports to identify riskier transactions such as groups of transactions entered and approved by the same employee. However, none of the eight colleges reviewed were able to provide evidence they reviewed the results of those reports.

Our review also found instances where CVCC and PDCCC did not adequately segregate duties between human resources and payroll. Individuals at both colleges were identified with access to update personnel information in human resources systems and to process payroll entries in the payroll system.

In accordance with ISO/IEC 27002:2005€ § 11.2, colleges are charged with developing procedures which will address the need to control the allocation of privileged access rights. Granting access to both human resources and payroll systems allows employees to create new employees and process pay changes in the payroll system, unnecessarily increasing the risk of 'ghost employees' or other frauds. Inadequately segregating access within AIS or SIS can also result in various fraud, waste, or abuse.

Small colleges, which may have few employees available to process transactions, must often compromise proper segregation of duties to ensure business operations function normally. However, colleges should review and consider updating system user access to exercise appropriate segregation of duties and eliminate access to conflicting roles to the greatest extent possible. In the absence of eliminating all conflicting access, colleges should strive to minimize the risk of having users with significant access conflicts by implementing a review and approval process to ensure high-risk transactions are appropriately evaluated.

Assign System Access Based on Least Privilege

Applicable to: Northern Virginia Community College (NVCC)
                Southside Virginia Community College (SVCC)

The colleges identified are not consistently granting access to the PeopleSoft accounting system based on the principle of least privilege. During our review, we noted instances in which the colleges granted roles and privileges to employees within the system that were not necessary for them to perform their job duties. In one instance, NVCC granted IT support personnel full access to all PeopleSoft modules and did not have a system in place to monitor changes made in the system by those employees.

The Virginia Community College System (VCCS) IT Security Standard, *11.2 – User Access Control*, dictates the principle of least privilege must be used by each college and the System Office in the assignment of security roles and responsibilities. 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 unnecessarily compromises data integrity and increases exposure to sensitive data.

The System Office has established access groups for similar positions, identified as 'copy IDs', for designating predefined roles and privileges to more efficiently facilitate granting access. It has also provided colleges additional mechanisms to further limit access such as creation of additional copy IDs. While this process assists the colleges in applying consistent criteria when granting access requests, its success is heavily dependent on the precision of the copy IDs as they specifically relate to the positions. In the instances when we noted unnecessary access, the colleges did not effectively structure copy IDs to ensure that all roles and privileges were appropriate for assigned positions.

We recommend the colleges proceed with their annual evaluation of system roles and place special emphasis on the principal of least access to supervisors and the system experts who review and approve all requests. Where necessary, the colleges should provide additional training on system access, roles, and least access to those who assign system roles and privileges, to help them identify where creation of new copy IDs would provide less access while still allowing the employee access to the required screens and functions.

Perform AIS Security Reviews Annually

Applicable to: Central Virginia Community College (CVCC)
                Southside Virginia Community College (SVCC)

The colleges identified did not complete an annual review of system access for all employees in fiscal year 2013. An annual review of system access is required by VCCS IT Security Standard 11.2.4 and ensures financial information remains secure and decreases the risk of inappropriate or fraudulent activity.

The colleges have implemented this requirement by requiring the applicable supervisor to annually review and approve each employee's Employee Work Profile. However, system owners occasionally experience difficulties obtaining necessary approvals from supervisors.

A periodic review is a key control that helps ensure only authorized users have the appropriate level of access to the various automated systems given their individual job responsibilities. We recommend the colleges follow their established policies and require supervisors to perform periodic reviews of all users' access rights annually to maximize the security and integrity of the data on its automated systems.

Deactivate User Access Promptly Upon Employee Separation

Applicable to: Central Virginia Community College (CVCC)
Eastern Shore Community College (ESCC)
Northern Virginia Community College (NVCC) (repeat finding)
Paul D. Camp Community College (PDCCC)
Southside Virginia Community College (SVCC)
Tidewater Community College (TCC) (repeat finding)

The colleges identified and the Virginia Community College System Office are not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, the identified colleges did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of our testing, we considered five business days to constitute timely deactivation. TCC and NVCC were cited for similar findings in the prior year. We noted some improvement at NVCC, and TCC may not have had sufficient time to fully implement corrective action based on the timing of the prior year finding. We noted the following exceptions while performing testing:

CVCC

- Untimely deletion of access to college and statewide applications for eight out of 20 employees tested (40 percent)
- No formal process in place for removing access upon employee separation

ESCC

- Untimely deletion of access to eVA for the only employee with access terminated during fiscal year 2013
- Two additional employees identified with access during fiscal year 2013 were terminated during a prior fiscal year

NVCC

- Untimely deletion of access to eVA for two out of nine employees tested (22 percent)

PDCCC

- No formal process in place for removing access upon employee separation

SVCC

- Untimely deletion of access to eVA for all eight employees with access terminated during fiscal year 2013

TCC

- Untimely deletion of access to college and statewide applications for six out of 25 employees tested (24 percent)

Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

The colleges cited should develop processes whereby access is removed without delay upon employee separation. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320 recommends that agencies develop a termination check-off list. Colleges should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

Business Processes

CENTRAL VIRGINIA COMMUNITY COLLEGE (CVCC)

Reconcile Federal Activity Reports to Accounting Records

CVCC has not reconciled its Federal G5 Activity Reports to its accounting records since October 2013. CVCC obtains the G5 Activity Report from an external access system on the internet that shows cumulative and detailed information for each financial aid award that the college provides.

The Code of Federal Regulations Title 34 CFR 676.19 requires an institution to establish and maintain program and fiscal records that are reconciled at least monthly. Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased

risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. Additionally, in order to rely on such reconciliations, proper segregation of duties, including evidence of review, should be maintained at all times.

The Business Office should properly complete and document the reconciliation of the G5 Activity Reports to the accounting records to help ensure that they draw down all federal financial aid from the correct federal program and credit it to the proper student in the correct amount each month.

Develop Desk Procedures Related to Severance Pay and Retirement

CVCC improperly offered severance pay, as well as years of service credit, to an employee who elected to retire following the elimination of his position. Additionally, CVCC did not correctly calculate the amount of severance pay to be paid.

The Department of Human Resource Management's policy 1.57 indicates that employees may use severance benefits, including health insurance, life insurance, and severance payments, to purchase retirement credit. The Code of Virginia (§ 2.2-3204 A) also provides that years of service or age credit may be purchased by the Commonwealth on the employee's behalf only in lieu of severance benefits.

Based on the auditor's estimation, the overall effect of CVCC offering severance pay in addition to years of service credit, resulted in the employee receiving severance pay, valued at approximately $53,100 (not including twelve months of health and life insurance coverage), in addition to years of service credit, estimated to be worth approximately $87,300. Furthermore, the severance pay miscalculation resulted in an overpayment of severance pay by approximately $17,700. Based on our calculation, and depending on the employee's election of benefits, CVCC overpaid the employee between $70,800 and $105,000.

CVCC should develop extensive desk procedures that govern employee severance pay, retirement, and separation from CVCC. These procedures should include a supervisors review and approval of all calculations. Enhanced procedures will allow CVCC to compensate employees fairly for their public service, avoid lawsuits, and increase efficiency of operations by offering the correct benefits and calculating the benefits accurately.

Improve Process for Calculating and Deducting Leave Without Pay from Employee Paychecks

CVCC does not have adequate written policies and procedures which govern the technical calculation of Leave Without Pay (LWOP) and the related deductions from employee paychecks. Employees who are out on LWOP do not receive deductions on their current paychecks, but have LWOP deducted on future paychecks.

The CAPP Manual Topic 50510 requires the following actions to be taken with regard to employee LWOP:

- CVCC should monitor employees with recurring periods of LWOP and institute appropriate policies to discourage and prevent such situations.
- CVCC should establish written policies and procedures governing the collection of overpayments.
- CVCC should reduce the paycheck of an employee on LWOP when the LWOP is taken.
- CVCC should recover overpayment resulting from LWOP in a time period that does not exceed the period of time in which the overpayment occurred.

Per Example S of the Department of Accounts (DOA) Payroll Bulletin 2012-16, the paycheck for an employee who is on LWOP for more than 14 consecutive calendar days should be calculated by dividing the employee's paycheck by the number of hours in the pay period to determine the hourly rate and then subtract the number of hours of LWOP multiplied by the previously calculated hourly rate. Due to CVCC's current practices, we found the following errors:

- Two employees were underpaid by a total of approximately $63 during fiscal year 2013 over four paychecks.
- Two employees were overpaid by a total of approximately $2,138 during fiscal year 2013 over thirteen paychecks.

These errors occurred due to inadequate policies and procedures governing LWOP, extenuating circumstances involving complex calculations, and ineffective calculations of LWOP.

CVCC should develop comprehensive payroll policies and procedures to oversee LWOP administration, compensation, and calculations which conform to DOA and Department of Human Resource Management (DHRM) requirements. By establishing and administering these policies, CVCC will be able to compensate employees appropriately and accurately track LWOP.

Improve Controls over Leave Tracking and Reporting

CVCC improperly calculated leave liability due to errors within the Human Resources Management System (HRMS) system. In a sample of employees earning leave, we found three employees whose ending annual leave balances were not accurate as reported in the system generated leave liability schedule. Additionally, CVCC adjusted the leave liability report submitted to the System Office from HRMS without clear documentation related to the changes made, procedures performed, and cause of the changes.

According to CAPP Manual Topic 40105, CVCC's leave accounting system should accurately:

- Record leave balances properly through period accruals and/or period allocations;

- Delete or manage leave balances in excess of maximum carryover limits;

- Provide leave balances through online inquiry and system reports;

- Calculate the fiscal year-end leave liability; and,

- Compute leave payments upon separation of an employee.

The effective maintenance, reporting, and calculation of leave are essential in fairly compensating employees and supporting the annual VCCS Financial Statements. The improper accrual of leave within HRMS resulted in improper recognition of an additional 50 total hours of annual leave for three out of fifteen employees tested.

Based on discussions with CVCC and the System Office, it is not clear whether errors in the system resulted from inherent deficiencies in the system or ineffective use of the system by CVCC. CVCC has attempted to minimize errors by tracking leave using an internally-developed spreadsheet. However, despite tracking leave using this alternative resource, CVCC utilized the HRMS leave liability report to calculate its leave liability without effectively reconciling its internal leave tracking system with HRMS and correcting known leave balance errors.

CVCC should collaborate with the System Office to identify the cause of the errors in HRMS. Until that cause is determined, we recommend CVCC dedicate the necessary resources to improve their processes of calculating leave amounts and reconciling their internal leave tracking system to HRMS. Once CVCC is satisfied with the reliability of HRMS, it should consider discontinuing its use of an internal leave tracking system to prevent unnecessary duplication of effort. Additionally, CVCC should develop procedures governing the compilation of the leave liability schedule submitted to the System Office using the HRMS report.

Improve Internal Controls over Pay Changes and Record Keeping

CVCC does not always properly prepare and retain supporting payroll documents. In one instance, CVCC did not prepare addendums to existing contracts for two adjunct employees when circumstances dictated a change in pay. Additionally, CVCC could not provide signed adjunct faculty contracts to confirm proper authorization of employee compensation. Furthermore, CVCC did not update budgetary coding in the Commonwealth Integrated Payroll/Personnel System (CIPPS) for an employee transferring between departments and paid four adjunct employees without amended contracts on file.

Due to the relocation of personnel files and the inadequate filing system in place, these exceptions appear prevalent for adjunct faculty. Failure to establish and retain payroll records increases the risk of fraud and error and could diminish CVCC's legal basis in the event of a contract dispute. Our review identified four employees whose compensation was reduced by a total of approximately $5,937 from the original contracts; however, CVCC did not establish contract addendums to validate those changes.

If changes are necessary during a contract period, CVCC should prepare and retain an addendum that is signed by both CVCC management and the employee. CVCC should develop and implement a written policy that specifies all contracts must be approved by CVCC management and the employee prior to the employee performing contracted work for CVCC. The Human Resource office should maintain documentation to assist the tracking and recording of personnel changes to ensure the correct funding sources are reported in CIPPS both during and after employee transitions between jobs.

Improve Procedures over the Certification of Payroll

CVCC does not have clearly documented payroll certification procedures. These procedures are used to review and correct errors prior to the certification of payroll.

According to the CAPP Manual Topic 50805, payroll certification should provide a high level of assurance over the accuracy of employee paychecks in order to maintain employee morale, improve agency performance, and ensure material incorrect or improper payments do not occur.

During the course of the fiscal year 2013 audit of CVCC, we found the following issues:

- CVCC overpaid three adjunct employees by $2,235 due to an error during the pre-certification process.

- A lack of clearly documented sign-off and dating on certification reports prevented the auditor from determining on what date the preparation and review of pre-certification reports occurred.

In order to ensure the timely and accurate certification of payroll, CVCC should develop detailed policies and procedures over payroll certification. These procedures should include (at a minimum):

- Location of sign off;

- Detailed position responsibilities related to the payroll certification process;

- Location of each document used in the payroll certification process; and,

- Appropriate documentation and action to take when identifying and correcting differences.

Improve Processes Related to Employee Separation

CVCC does not have a formalized, documented process for properly collecting CVCC property upon separation of CVCC employees.

The CAPP Manual Topic 50320 recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

CVCC should develop policies and procedures as well as written documentation to ensure that all necessary actions have been taken to repossess CVCC property and/or timely remove access to restricted areas at the college upon employee separation.

Perform Reconciliations between VNAV and CIPPS

CVCC did not perform reconciliations between MyVRSNavigator (VNAV) and CIPPS during fiscal year 2013. CVCC became aware of this issue as a result of the audit and is currently working to receive training on how to perform the reconciliations.

DOA issued payroll bulletin 2013-02 on January 3, 2013, detailing the required tasks and roles of agencies in the reconciliation process. The process now requires the agencies to take on a more significant role in identifying and correcting errors and certifying payroll information in VNAV on a monthly basis. Failure to properly certify payroll information in VNAV in a timely manner increases the risk that CVCC's retirement contributions will be inaccurate. Inaccurate contributions affect both financial reporting and the sustainability of the retirement system.

The individuals responsible for certifying payroll information in VNAV were previously unaware of the requirement, but are seeking additional guidance over the process. Once the responsible individuals have a better understanding over what is required and begin to work through prior periods, CVCC should allocate the resources necessary to complete all reconciliations through the current period. CVCC should further develop a procedure to ensure the monthly performance of the reconciliation is consistent and timely.

Retain Fixed Asset Physical Inventory

CVCC could not provide the auditor with written documentation of a complete physical inventory of capital assets occurring in 2012. Per the College's Financial Services Manual, in even years, a complete physical inventory will be performed by the department and will be coordinated by the Procurement Manager. A periodic inventory is a key control that helps to ensure the accuracy and integrity of capital asset records and mitigates the risk of stolen or lost college property.

Verbal communication that CVCC has performed the required inventory activities provides insufficient evidence to auditors attempting to assess the design and effectiveness of CVCC's system of internal control. We recommend CVCC follow their established policies and retain documentation of the periodic inventories of all controllable assets to address this risk.

Improve Accounts Receivable Policies and Procedures

CVCC does not have written policies and procedures for writing off uncollectible accounts and determining estimates of doubtful accounts less than one year old. CVCC last performed a write off of uncollectible accounts in 2005. Additionally, CVCC assumes all account receivables less than one year old will be fully collected, but was unable to provide any analysis or justification to support the reasonableness of its methodology. Failure to write off known uncollectible accounts on a timely basis and to develop a realistic estimate of doubtful accounts can lead to an overstatement of accounts receivable.

The CAPP Manual Topic 20505 provides procedures for ensuring that accounts receivable are fairly presented in accordance with generally accepted accounting principles. Accordingly, CAPP Topic 20505 requires colleges provide adequate documentation of the methodology used for write-offs and providing realistic estimates of doubtful accounts.

CVCC should consult with the Systems Office to improve their account receivable policies and procedures including developing a methodology for the timely write-off of uncollectible accounts and realistic estimates of doubtful accounts. CVCC should adhere to these policies and procedures once they have been developed.

Improve Collection Procedures for Off-Site Centers

CVCC does not have adequate internal controls relating to collections at its four off-site centers. Specifically, the centers do not endorse checks upon receipt, but instead rely on the central accounting office to endorse the checks when they arrive. CVCC also does not use an armored car service or other secured means of transporting the collections to the main office, but instead transports collections in an unlocked bag. We found CVCC does not have written policies and procedures for collecting and remitting revenue by these off-site centers, which likely contributed to the cause of these deficiencies. The CAPP Manual Topic 20205 requires State institutions to develop policies and procedures to include endorsement of checks and proper safeguarding, recording, and timeliness of deposits.

Since a check is a payment demand instrument, failure to endorse a check increases the risk that others may fraudulently endorse the check if misplaced or stolen. Additionally, using a non-secured means of transporting collections from off-site centers to the main campus creates an unnecessary liability to both CVCC and their employees due to the potential of robbery or theft. The off-site centers collected in excess of $222,000 during fiscal year 2013.

CVCC management is required to maintain adequate internal controls over its assets. Internal controls provide management with reasonable assurance that assets are safeguarded from unauthorized use or disposition. We recommend CVCC document policies and procedures for revenue collections at off-site centers and communicate those policies and procedures to staff. The policies and procedures should address all aspects of collection management to include, but not be

limited to, procedures to ensure all checks are immediately endorsed upon receipt and collections are transmitted in a secure manner to the main accounting office.

PAUL D. CAMP COMMUNITY COLLEGE (PDCCC)

Continue to Improve and Monitor Internal Control Environment to Address Internal Control Weaknesses

VCCS Internal Audit completed a business office review of PDCCC in April 2013, which identified 18 recommendations related to internal control deficiencies and noncompliance. During our audit of PDCCC, we further substantiated weaknesses identified by VCCS and identified additional weaknesses occurring within the business office. Our audit, in combination with the VCCS Business Office Review, identified deficiencies during fiscal year 2013 involving revenue processes, cash safeguarding, receivables reporting, expenditures, reconciliations, grants, and general controls such as year-end financial statement procedures and an inability to provide support for various transactions and financial statement supporting schedules.

We identified the aforementioned internal control and compliance weaknesses based on system-wide policies, the CAPP Manual, and general best practice principles. Internal control weaknesses increase the risk of misstatements within the financial statements and can result in fraud, waste, abuse, and inefficient business processes.

The volume and magnitude of weaknesses found during our review and the VCCS Business Office Review performed by VCCS Internal Audit indicate an ineffective control environment governing PDCCC's fiscal processes. Specifically, we attribute many of the deficiencies noted to inadequate policies and procedures and an overall absence of sufficient oversight within the organization. High agency turnover at the end of the fiscal year also contributed to the issue.

VCCS has established a shared services arrangement between PDCCC and Thomas Nelson Community College (TNCC), in which PDCCC transferred most business office processes to TNCC. Consequently, many of the weaknesses noted may no longer apply. However, both colleges should work together to ensure that roles and responsibilities are adequately defined and to put in place processes to prevent similar weaknesses going forward. In addition, for those functions where responsibility remains with PDCCC, the college should re-evaluate its internal control environment and establish additional policies and procedures and organizational oversight where necessary.

Ensure Payroll is Properly Authorized

PDCCC is not properly obtaining authorization signatures on employment contracts and wage authorization forms. Our audit of 57 employees across all payroll categories, revealed five instances in which the authorizing signature(s) were not present on the payroll authorizing document.

CAPP Manual Topic 21005, *Records Retention and Disposition*, establishes the minimum retention periods for all records relating to payroll. In addition, CAPP Manual Topic 50310, *Rehires*

and Employee Data Changes, explains that the documentation supporting employee maintenance must be completed and authorized prior to data entry. All applicable forms/applications used to establish an employee record or to change the current information must be maintained by the agency for audit purposes. Unauthorized changes to employee payroll information increase the risk of error and fraudulent behavior.

We recommend PDCCC enhance its procedures to ensure that employees are only paid at a given rate after receiving all authorizing signatures, and to ensure that documentation of all authorizations is properly retained.

Improve Procedures over the Certification of Payroll

PDCCC is not properly completing all of the required pre-certification and post-certification activities during the payroll certification process. During our review of the payroll certification process, it was determined that PDCCC is not performing six required pre-certification activities and five required post-certification activities. Completing all of these activities is a critical step to ensuring that all payroll information is correct during the certification process.

CAPP Manual Topic 50810, *Pre-Certification Activities*, and CAPP Manual Topic 50820, *Post-Certification Activities*, outline the reports that the reviewer should be focusing on during the review process. Failure to review and verify the accuracy of what is being reported can increase the risk of error and fraud.

We recommend PDCCC enhance its procedures and dedicate the necessary resources to ensure the payroll department is reviewing all of the appropriate reports, per the CAPP Manual, during the completion of the payroll certification process. If management decides not to utilize all required certification reports, it should be able to provide reasonable justification for this decision.

Improve Controls over the Funding of Payroll

PDCCC is not properly charging payroll expense to the correct fund. Failure to review and verify the accuracy of payroll coding limits the effectiveness of the budgetary process and could affect expenditure classification for financial reporting purposes.

CAPP Manual Topic 60106, *Fund Codes*, explains that expenditures must be coded to the fund(s) from which an appropriation was made to support a program or project. During our review of salaried employee pay, we found that PDCCC coded the payroll for two out of nine employees selected (22 percent) to the incorrect fund account, based on the coding reflected within the employees' payroll authorization document (P-3).

We recommend PDCCC dedicate the necessary resources to ensure the payroll department is reviewing all of the appropriate employee documentation during the completion of the payroll process. Specifically, the payroll department should ensure that the fund and program charged agrees to the fund and program authorized within the employee's P-3 form.

Improve Processes Related to Employee Separation

PDCCC does not have a formalized, documented process for properly collecting PDCCC property upon separation of PDCCC employees. In addition, one out of seven employees tested (14 percent) worked during an additional pay period after termination and the corresponding timesheet for that period did not reflect an approval signature.

The CAPP Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

PDCCC should develop policies and procedures as well as written documentation to ensure that all necessary actions have been taken to repossess PDCCC property and/or timely remove access to restricted areas at the college upon employee separation. Additionally, the Payroll Department should not process pay for unauthorized time sheets.

<div align="center">EASTERN SHORE COMMUNITY COLLEGE (ESCC)</div>

Fully Implement HRMS for Leave Tracking and Reporting

ESCC currently uses a manual leave tracking system with no computerized system of record. According to CAPP Manual Topic 40105, a leave accounting system should accurately:

- Record leave balances properly through period accruals and/or period allocations;

- Delete or manage leave balances in excess of maximum carryover limits;

- Provide leave balances through online inquiry and system reports;

- Calculate the fiscal year-end leave liability; and,

- Compute leave payments upon separation of employee.

Due to the manual leave tracking and reporting system, we noted the following exceptions when performing test work over ESCC's calculated leave balance for employees:

- Several incorrect leave balance calculations;

- Overpayment to an employee by $2,186 due to an inaccurate leave balance; and,

- Incorrect and inefficient computations resulting in misstatements on schedules submitted to the VCCS System Office.

ESCC management indicated that implementation of HRMS Leave tracking and reporting is already in progress. We recommend and encourage ESCC to continue to fully implement HRMS as soon as practicable. The Human Resources staff at ESCC is highly competent and will benefit from an automated leave tracking system to increase efficiency, decrease opportunities for human error, and increase the accuracy of leave tracking and reporting.

Improve Written Policies and Procedures for Payroll Processes

ESCC does not have detailed procedures for payroll processes, which would enable an employee to perform his or her job effectively without extensive training and guidance from management. In addition, ESCC also does not consistently maintain descriptive documentation to identify the key processes performed in its specific business structure related to payroll.   For example, our review of payroll reconciliations found that documentation was insufficient to allow us to verify what procedures were performed, who performed them, and when the reconciliation occurred. Additionally, we were not able to review documentation related to the performance of the MyVRSNavigator (VNAV) reconciliation and ESCC has certified its snapshot timely in only two out of thirteen months (January 2013 – January 2014).

Topic 20905 of the CAPP Manual requires ESCC to have its own written internal policies and procedures to reflect the agency's staffing, organization, and operating procedures. In order to have an effective system of internal control, the design of the internal controls should be well documented. Additionally, ESCC should develop and retain documentation of its processes as they occur in order to demonstrate that internal controls are operating as intended.   Inadequately developed policies and procedures hinder the college's efforts for continuity of operations, consistent application of policies, and establishment of objective criteria for employees to follow.

We recommend ESCC update and review its policies and procedures to ensure all necessary functions and processes are well-documented including, but not limited to: Employee Time and Attendance, Payroll Certification and Post-Certification, Monthly Reconciliation, Quarterly Reconciliation and Certification, Calendar Year-End Reconciliation and Certification, Employee Separation, Accrued Payroll Reporting, and VNAV Reconciliation and Certification. While it appears ESCC is properly completing its payroll reconciliations, ESCC should also improve its documentation to clearly describe the procedures performed.

Improve Processes Related to Employee Separation

ESCC does not have a formalized, documented process for properly collecting ESCC property upon separation of ESCC employees. In one instance, following an employee separation, ESCC did not deactivate the employee's Small Purchase Charge Card (SPCC) in a timely manner and allowed existing employees to continue to use the card for more than one year.

CAPP Manual Topic 50320 recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

ESCC should develop policies and procedures as well as written documentation to ensure that all necessary actions have been taken to repossess ESCC property and/or timely remove access to restricted areas at ESCC upon employee separation. Specifically, procedures should ensure ESCC is deactivating charge cards timely upon employee separation and is using cards as authorized by DOA.

Properly Approve Vendor Purchases

Management is not consistently providing required authorization in advance of processing purchase transactions. Out of a sample of 21 vouchers reviewed, we found four instances (19 percent) in which management did not properly approve purchases.

Eastern Shore Community College Purchasing and Accounts Payable Procedures, Section 1.4, dictates that purchases must be approved by a department supervisor and by the Financial Services Specialist or the Vice President of Finance and Administration. Failure to properly approve purchases in advance by an appropriate level of management increases the risk that employees may create unnecessary or burdensome obligations for the college and, as a result, increases the risks of fraud, waste, and abuse.

ESCC has developed a procedure which appropriately requires advance approval of purchases by authorized levels of management. We recommend the college train employees on the procedure in place and hold them accountable to the required approval process.

NORTHERN VIRGINIA COMMUNITY COLLEGE (NVCC)

Improve Facilities Contract Management

NVCC did not properly administer a facilities contract during the audit period, which may have resulted in potential waste to the Commonwealth. The College entered into an Architectural and Engineering (A/E) term contract (the Contract) with a consulting firm (the Firm) in February 2010. From contract inception through August 2013, NVCC issued at least seven project orders to the Firm, totaling nearly $1.3 million, to provide construction management program assistance services for facilities. The Firm's duties included managing multiple non-capital facilities projects by maintaining the program plan, attending planning meetings, and providing management assistance.

The VCCS Construction and Professional Services Manual (CPSM), section *412.1 Applicability*, defines the applicability of services to be performed within A/E term contracts as investigations, cost estimates, designs, and related services for multiple small projects over a one-year time period.

Consequently, the construction management services outlined above are not considered applicable services under the VCCS CPSM, and should not have been requested as part of the A/E term Contract. Instead, these services should have been competitively procured separately in accordance with the Agency Procurement and Surplus Property Manual (APSPM).

Additionally, APSPM section *10.2 Contract Administrator* sets forth that every contract should be assigned a contract administrator to perform specific delegated tasks, such as acceptance of goods or services, approval of invoices, scheduling and monitoring of project progress, and favorable or critical feedback to the contractor and buyer. NVCC did not assign a contract administrator to the Contract and invoices were routed to accounts payable for payment without any review or approval that the Firm had satisfactorily met the terms and conditions of the Contract. As a part of the Contract deliverables, the Firm was required to submit weekly reports summarizing their activities during the period, such as work performed, observations, site specific issues, and hours delivered. NVCC did not receive the required weekly reports for a period spanning at least two years.

NVCC's inclusion of non-professional services within an A/E professional services contract may have resulted in significant waste. The hourly rates charged by the Firm were significantly higher than benchmark firms performing similar work at NVCC, ranging at one point between $133 and $290 an hour for various job roles. Additionally, the project orders were structured as lump sum payments of nearly $200,000, which included nearly $15,000 in travel costs which were not sufficiently supported. The fact that project orders often spanned different periods of time, while the lump sum payments remained constant, also calls into question whether the work the Firm performed was commensurate with the compensation received from NVCC.

NVCC's failure to assign a contract administrator further increased the potential for significant waste of financial resources. NVCC employees acknowledged that the Firm did not spend significant time at NVCC and expressed doubts that the Firm was satisfactorily performing work as described in the project order's scope of service. The fact that NVCC did not receive contract deliverables for over two years gives additional weight to the concern that funds may have been wasted.

We recommend NVCC evaluate its facilities contracts to ensure it is structuring them correctly based on applicable statewide compliance requirements. NVCC should also address its policies and procedures regarding contracts to ensure proper contract administration. If NVCC decides to continue utilizing consulting services to manage facilities projects, we recommend it properly procure the contracts and allocate the resources necessary to properly monitor the level of work being performed. NVCC should also consider adding additional authorizations at established dollar thresholds to ensure proper oversight over significant project orders.

Improve Leave Liability Reporting

NVCC reported inaccurate leave liability during the audit period. During our review of leave liability support, we found several errors stemming from incorrect pay rates, program coding, leave balances, and calculations.

According to the American Institute of Certified Public Accountants (AICPA), a deficiency in internal controls exists when the design or operation of 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. The identification of various misstatements during audit procedures indicates that internal controls over leave liability reporting were either not properly designed or were not operating effectively during the audit period. Misstatements in leave liability reported to the System Office result in misstatements in the overall VCCS consolidated financial statements.

During NVCC's conversion to HRMS, it operated two time and attendance systems in parallel for much of the audit period. Rather than decommissioning the previous time and attendance system (Denosys) upon data conversion to HRMS, NVCC elected to have transactions entered into both systems. It is likely that this parallel entry was the cause for the majority of the errors found, as there was not a clear policy establishing the primary system of record and NVCC did not reconcile between the two systems. Incorrect calculations found in support were a result of faulty programmatic language in the Denosys system-generated leave liability report.

When implementing new systems, we recommend NVCC consider potential effects over financial reporting during the planning phase. Specifically, NVCC should design its implementation rollout and any associated policies and procedures to ensure data is reliable for reporting purposes. Additionally, NVCC should review system output for accuracy before providing data to the System Office for inclusion in the VCCS consolidated financial statements.

Perform Reconciliations between VNAV and CIPPS

NVCC did not perform reconciliations between VNAV and CIPPS during fiscal year 2013 and did not perform its first reconciliation until March 2014. NVCC became aware of this issue as a result of the audit and is currently working to satisfy the backlog of reconciliations that were not performed.

DOA issued payroll bulletin 2013-02 on January 3, 2013, detailing the required tasks and roles of agencies in the reconciliation process. The process now requires the agencies to take on a more significant role in identifying and correcting errors and certifying payroll information in VNAV on a monthly basis. Failure to properly certify payroll information in VNAV in a timely manner increases the risk that NVCC's retirement contributions will be inaccurate. Inaccurate contributions affect both financial reporting and the sustainability of the retirement system.

The individuals responsible for certifying payroll information in VNAV were previously unaware of the requirement, but have since obtained additional guidance over the process. Now that the responsible individuals have a better understanding over what is required and have begun to work through prior periods, NVCC should allocate the resources necessary to complete all reconciliations through the current period. NVCC should further develop a procedure to ensure the monthly performance of the reconciliation is consistent and timely.

Ensure Payroll is Properly Authorized

NVCC is not properly maintaining authorization documents for payroll changes. Out of 79 employees tested across all employee categories, we noted five instances in which there was no pay authorization document available. Two of those exceptions involved classified employees and three involved adjunct faculty.

CAPP Manual Topic 21005, *Records Retention and Disposition*, establishes the minimum retention periods for all records relating to payroll. Verifiability is one of the cornerstones of accountability, so retention of payroll records is essential for verifying the validity of payroll transactions. Unauthorized payroll transactions increase the risk of error and fraud. In the instances where pay authorization documents were unavailable, we could not determine if the associated payroll was unauthorized, or if the exceptions merely relate to proper retention of records.

NVCC should follow its procedures to ensure the payroll department is only processing pay changes when it has received formal authorizing documents and should ensure that the human resources department is properly retaining all documented authorizations. Since NVCC does not operate in an environment that allows for automated approvals for pay changes, it should be able to support changes with a formal written authorization.

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE (SSVCC)

Record Capital Assets in Asset Management System

SSVCC did not properly record the purchase of capital equipment totaling $52,458 in its asset management system. The Virginia Community College System Capital Assets Policies and Procedures Manual provides guidance on capital asset accounting procedures. Accordingly, Chapter 2 – *General Requirements*, states that assets having a value or costs of at least $5,000, tangible in nature, and having an expected useful life greater than one year should be capitalized in the asset management system.

When capital assets are not recorded in the fixed asset system, they are improperly expensed in the year of purchase, rather than depreciated over the asset's useful life. Improper recording of capital assets has a direct effect on the financial statements of the Virginia Community College System by overstating expenses in the current period and understating expenses in future periods.

We recommend SSVCC record the value of the asset in the fixed asset system and dedicate the necessary resources to ensure future assets meeting the capitalization threshold are properly recorded as capital assets when purchased.

Improve Leave Liability Tracking and Reporting

SSVCC is unable to substantiate ending leave balances as reported on the leave liability schedule, or verify that the balances at year-end were calculated correctly. In a sample of 18 employees earning leave, we found six employees (33 percent) with inaccurate leave balances reported in the leave liability schedule.

According to CAPP Manual Topic 40105, a college's leave accounting system should accurately:

- Record leave balances properly through period accruals and/or period allocations;

- Delete or manage leave balances in excess of maximum carryover limits;

- Provide leave balances through online inquiry and system reports;

- Calculate the fiscal year-end leave liability; and,

- Compute leave payments upon separation of an employee.

The effective maintenance, reporting, and calculation of leave are essential in fairly compensating employees and supporting the annual VCCS Financial Statements.

SSVCC should collaborate with the System Office to identify the cause of the errors in HRMS. Until that cause is determined, we recommend SSVCC dedicate the necessary resources to improve their processes of calculating leave amounts and reconciling their internal leave tracking system to HRMS. Once SSVCC is satisfied with the reliability of HRMS, it should consider discontinuing its use of an internal leave tracking system to prevent unnecessary duplication of effort.

Properly Complete Employment Eligibility Verification Forms

SSVCC personnel are not consistently completing Employment Eligibility Verification Forms (Form I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. During our audit, we found the following errors:

- Three employees did not complete Section 1 on or before the first day of employment, and

- Three forms were not signed by an employer within three days of the employee start date.

Federal guidance states the employer is responsible for ensuring that employees complete Section 1 before their first day of actual employment. Additionally, the employer must document the issuing authority and document number for any document examined to establish work eligibility

or identity. Furthermore, the employer must certify the form within three days of the employee's start date.

Failure to adequately verify employment eligibility can result in fines and penalties against the institution. Accordingly, we recommend that SSVCC review the I-9 verification process to ensure it is complying with federal regulations. Specifically, SSVCC should consider developing training for human resources staff on federal requirements regarding the I-9 form. SSVCC should also consider developing a periodic review process to prevent additional significant non-compliance.

SYSTEM OFFICE

Ensure Capital Outlay Projects are Closed Out within Allowable Time Period

The System Office is not closing out its capital outlay projects promptly as required by state regulations. VCCS has over 38 capital outlay projects that have not been closed out within twelve months of a Certificate of Use and Occupancy (Form CO-13.3) issuance. As an example, one project received its Certificate of Use and Occupancy in 2002 and two other projects received their Certificate of Use and Occupancy in 2003, but the System Office has yet to issue a Project Completion Report (Form CO-14) for those projects.

The VCCS CPSM requires VCCS to complete a Project Completion Report using Form CO-14 to officially close out a project within twelve months after a college has occupied the building or the project is substantially complete. Significant delays in closing out capital outlay projects could allow funds to be used for unnecessary projects and, therefore, promote inefficient use of Commonwealth funds.

The System Office should follow its policy and complete the CO-14 form promptly upon completion of each capital project. While we recognize that occasionally there may be a reason to delay project close out, we recommend that the System Office follow best practices and close out projects within twelve months after substantial completion. Further delays should require Project Managers to justify the delay formally and receive senior management approval.

Improve Internal Controls to Ensure Data is Properly Transferred between Human Resources Systems

The System Office can improve the process in place to ensure human resources transactions are properly transferred between systems. The System Office continued its implementation rollout of HRMS during fiscal year 2013, which is utilized in concert with the statewide Personnel Management Information System (PMIS) for facilitating human resources recordkeeping. Currently, a portion of the data transactions automatically interface from HRMS to PMIS. As a result of incompatibility between the two systems for certain data transactions, entries frequently do not transfer correctly. To assist the community colleges in identifying and correcting those entries, the System Office established various levels of support including a query to identify and explain instances where transactions did not properly transfer.

Our review at the individual community colleges found that many colleges are not reviewing the query consistently and are not documenting their review and correction of identified errors. The frequency of community college reviews ranged between daily, weekly, quarterly, at least monthly, and not at all. In response to our inquiry, colleges attributed the inconsistency in the application of this control to a lack of explicit guidance from the System Office as it pertains to frequency and documentation of reviews. Additionally, the transactions that do not automatically interface between systems result in additional manual data entries, which impede operational efficiency and increase the risk of manual error.

DHRM Policy 6.10, *Personnel Records Management*, requires that human resources officers ensure that agency actions or changes affecting employees' employment or payroll status, or data relating to positions or employees, are entered into PMIS. Therefore, it is important that HRMS transactions properly transfer to PMIS, particularly since many data fields automatically interface from PMIS to CIPPS. If information is inaccurate in PMIS, it could result in improper payments in some instances.

The System Office has provided extensive guidance and training and established an effective tool for the colleges as a part of this initiative by developing a query, which identifies and explains errors in the automatic data interface. However, we recommend the System Office further improve the effectiveness of that internal control by developing a policy, procedure, or other formal written standard governing minimum requirements over the frequency and documentation of college query reviews. The System Office has already begun drafting written HRMS Standards as a result of internal audit findings, which may address the problem areas, so we encourage them to continue in this endeavor. Colleges should review interface errors and make necessary resulting corrections in the system in a timely manner. The System Office should also evaluate the costs and benefits of expanding the data interface between HRMS and PMIS to all transactions to maximize efficiency and reduce the risk of manual error.

TIDEWATER COMMUNITY COLLEGE (TCC)

Properly Complete Termination Forms for Work Study Employees

TCC is not properly completing Form HR-21, which documents removal of access to email, network, and system accounts, as well as the collection of all college property, and the completion of required check out procedures upon termination of work-study status at TCC.

For 13 of 14 work-student employees reviewed, no form exists to verify the request for removal of computer account access, or to ensure the supervisor performed the appropriate check-out procedures like the return of TCC owned equipment, keys, charge cards or other property prior to the employee's departure, and the completion of the employee's final timesheet.

Policy 4201, *Tuition, Fees, and Other Receipts, Appendix C*, indicates that form HR-21 will be used to notify Human Resources and the Office of Central Financial Aid regarding the termination of work-study status for Federal Work Study participants. Our inability to obtain form HR-21 indicates

either an internal control deficiency in the completion of the form, or a deficiency in the process for maintaining appropriate documentation for audit.

TCC should ensure the required forms are completed when students discontinue employment with the college. Supervisors should be held accountable by TCC for completing the required checkout procedures. Additionally, TCC should ensure the appropriate documentation is available for review upon request by auditors or other outside individuals in accordance with state retention policies.

FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Student Financial Aid

Properly Calculate and Return Title IV Funds

Applicable to: Danville Community College (DCC)
Patrick Henry Community College (PHCC)
Piedmont Virginia Community College (PVCC)

Student Financial Aid offices at these institutions did not properly identify, calculate, and/or return Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

DCC did not return Title IV funds within 45 days of student withdrawal for nine of 25 students tested (36 percent).

PHCC did not properly identify, calculate, and return $9,248 in Title IV funds for 19 students who officially or unofficially withdrew from courses and no longer qualified for federal financial aid.

PVCC did not properly identify and perform return of Title IV calculations for all students who withdrew prior to the 60 percent point of the semester. In addition, for students with calculations performed, PVCC did not accurately exclude a break of at least five consecutive days for Fall 2012. During the Spring 2013 semester, PVCC excluded a scheduled break of seven consecutive days, when the appropriate number of days to exclude was eight. Based on a review of the students identified, $11,372 was not properly returned to the Department of Education. Additionally, as a result of the use of the wrong number of days in the Title IV calculations performed, PVCC separately returned $4,869 to the Department of Education, which they were not required to return.

Code of Federal Regulations, 34 CFR 668.22 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 and return the money within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks

of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.

Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs. The colleges should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes.

Return All Excess Cash to Department of Education within Required Timeframe

Applicable to: Rappahannock Community College (RCC)

RCC failed to return excess cash related to Pell grants to the Department of Education within the required timeframe of three business days. Instead of completing the required return of cash, RCC completed three separate transfers, totaling $65,020, from the Federal Pell fund to the Student Support Services fund within the TRIO Program.

The Code of Federal Regulations, Title 34 CFR 668.166 considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program 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. Although federal regulations prescribe tolerance thresholds related to excess cash; RCC must return immediately to the Secretary any amount of excess cash over the one-percent tolerance threshold and any amount remaining in its account after the seven-day tolerance period.

Noncompliance with cash management requirements can increase the risk of reporting and reconciliation errors, and result in the mandatory use of the reimbursement or cash monitoring payment method as prescribed by the Secretary of Education. We recommend that RCC dedicate the necessary resources to ensure that it is in compliance with all applicable regulations within the Code of Federal Regulations, to include proper use of funds and return of excess cash, when applicable.

Improve Documentation of Monthly Reconciliations of Direct Loans

Applicable to: Danville Community College (DCC)
Lord Fairfax Community College (LFCC)
Piedmont Virginia Community College (PVCC)

These colleges were unable to provide documentation showing reconciliation of their internal records to the Direct Loan System upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system.

In accordance with 34 CFR 685.301(e) and 34 CFR 685.102(b), colleges must report all loan disbursements and submit required records to the Direct Loan Servicing System via COD within 30 days of disbursement. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records. The college is required to reconcile these files to the institution's financial records.

We recommend the colleges retain their monthly reconciliations and resolve reconciling items between their financial systems and SAS records in a timely manner to ensure compliance with federal regulations. In addition, the colleges should implement a review process to ensure reconciling items are resolved appropriately.

Develop and Improve Policies and Procedures

Applicable to: Danville Community College (DCC)
              Lord Fairfax Community College (LFCC)
              Patrick Henry Community College (PHCC)
              Piedmont Virginia Community College (PVCC)

We found that management in the Financial Aid Offices at DCC, LFCC, and PHCC did not have adequate policies and procedures for processing student financial aid.

The A-102 Common Rule and OMB Circular A-110 require that non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

We recommend the colleges develop and improve policies and procedures. Maintaining updated written policies and procedures is a common control that identifies roles, responsibilities, and guidance to mitigate risk of errors when awarding and reporting student financial aid.

Improve Notification of Direct Loan Awards to Students

Applicable to: Danville Community College (DCC)
              Piedmont Virginia Community College (PVCC)

DCC and PVCC are not properly notifying students of Federal Direct Loan Awards. The institutions are required to provide written notification to students, which includes important details on the rights, options, and requirements of the student loan.

Code of Federal Regulations, Title 34 CFR 668.165(a) (2), requires institutions to properly notify students receiving direct loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan.

Failure to properly notify students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs. DCC and PVCC should develop a process for sending written notifications to all students who receive Federal Direct Loan Awards as required by the Code of Federal Regulations.

Reconcile Federal Funds Accounts

Applicable to: Rappahannock Community College (RCC)
Danville Community College (DCC)

RCC and DCC did not adequately document reconciliations of the federal G5 system to their respective accounting records.

The Code of Federal Regulations, Title 34 CFR 676.19, requires an institution to establish and maintain program and fiscal records that are reconciled at least monthly. Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. Additionally, in order to rely on such reconciliations, proper segregation of duties, including evidence of review, should be maintained at all times.

The colleges should dedicate the necessary resources to properly complete and document the reconciliation of G5 Activity Reports to the accounting records.

Improve Compliance over Enrollment Reporting

Applicable to: Tidewater Community College (TCC)

TCC did not report students who graduated during the 2012-2013 school year to the Department of Education using the National Student Loan Data System (NSLDS).

In accordance with Section 34 CFR 685.309, the college must report students that receive direct loans and either stop enrolling at least half time, are not enrolled at least half time for the period the loan was intended, or have changed their permanent address. The college must notify the Department of Education within 30 days of discovering these enrollment changes, unless the college expects to submit its next student status confirmation report within the next 60 days.

Failure to properly and accurately report 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 college reports plays a large part in keeping Direct Loan records and other federal loan records accurate and up to date.

TCC reports its graduating students in a separate roster using the "Graduate Only" transmission. However, during our review, we found that TCC did not report any graduates for the

2012-2013 school year. We also found that students who were reported as graduating in TCC's Student Information System were reported as withdrawn in NSLDS.

We recommend that the Office of the Registrar immediately transmit the 2012-2013 graduate information to the Department of Education using NSLDS. Further, Student Financial Aid should review, along with the Interim Registrar, existing policies and procedures for performing enrollment updates to NSLDS to ensure that they agree with the federal requirements. Lastly, the Registrar should implement a reconciliation or independent check process to ensure the data in NSLDS accurately reflects TCC's academic records.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 21, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
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 <u>Government Auditing Standards</u>, 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, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated August 21, 2014. 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 <u>Government Auditing Standards</u>.

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. However, material weaknesses may exist that have not been identified. 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 Government Auditing Standards and which are described in the section titled "Financial Internal Control and Compliance Findings," in the findings entitled "Reconcile Federal Activity Reports to Accounting Records," "Develop Desk Procedures Related to Severance Pay and Retirement," and "Properly Complete Employment Eligibility Verification Forms" and in the section titled "Federal Internal Control and Compliance Findings."

The System's Response to Findings

We discussed this report with management at an exit conference held on September 2, 2014. The System's response to the findings identified in our audit is 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

The System has not taken adequate corrective action with respect to the previously reported finding "Deactivate User Access Promptly upon Employee Separation." Accordingly, we included this finding in the section entitled "Financial Internal Control and Compliance Findings." The System has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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

EMS/clj

VIRGINIA COMMUNITY COLLEGE SYSTEM – RESPONSES TO AUDIT FINDINGS

FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Systems Access

Improve Segregation of Duties within Financial Systems

> *Central Virginia Community College (CVCC)*
> *Eastern Shore Community College (ESCC)*
> *Southside Virginia Community College (SVCC)*
> *Paul D. Camp Community College (PDCCC)*

Central Virginia Community College Response*:*

The College has hired a consultant to perform a review of internal controls, policies and procedures for all financial activities. The consultant is documenting all policies and procedures for inclusion in a manual that will detail proper internal controls for each financial activity and the appropriate segregation of duties.

Implementation Date: September 2014

Position Responsible: Vice President of Finance and Administration

Eastern Shore Community College Response*:*

Business office functions have been reviewed and updated. Due to staff limitations, the Business/Human Resources Manager has the ability to process transactions in the absence of others. When this occurs, the transactions processed by the Business/HR Manager are reviewed and approved by the Vice President of Finance and Administration.

Implementation Date: Complete

Positions Responsible: Vice President of Finance and Administration
                                      Business/Human Resources Manager

Southside Virginia Community College Response*:*

- AIS Module: Remove posting capability from individual responsible for keying ATV and GL transactions. The Business Manager or Accountant will review and post.
- SIS Module: Access was removed from the cashiers and they were granted the role of VX_SF_TPC which allows them to link students to contracts but not bill.

Implementation Date: September 1, 2014

Positions Responsible: Business Manager/PeopleSoft Administrator

Paul D. Camp Community College Response:

The College will dedicate the necessary resources to review and implement proper processes and procedures related to payroll access and segregation of duties.

1. The Human Resources (HR) Director has updated the Department of Accounts (DOA) forms to note any employees that should have access removed to Commonwealth Integrated Payroll/Personnel System (CIPPS). Access to CIPPS systems will be reviewed on at least a quarterly basis by the HR Director.

2. Small institutions, with limited numbers of employees, face many challenges in the segregation of duties. This can be compensated for through additional internal controls. We have one full time HR Manager, one full time Payroll Manager and another part time Payroll Processor that has some HR duties.   We will remove the HR Director's access to CIPPS.   We will explore limiting our full time Payroll Manager's access in the Human Resources Management System (HRMS) system to Absence and Payroll Management processing only and adding additional internal controls. The part time Payroll Processor does need access to both systems as that role processes payroll and supports the HR department by entering new wage/adjunct employees in the HR system.

3. To ensure that no unauthorized Payroll/HR activity occurs, the HR Director will run reports on a monthly basis to review any changes made in HRMS, and will report any unusual items to the Vice President of Administration and Technology.

Target Implementation Date: August 29, 2014

Position Responsible: Human Resources Director

Assign System Access Based on Least Privilege

Northern Virginia Community College (NVCC)
Southside Virginia Community College (SVCC)

Northern Virginia Community College Response:

The College will work with VCCS staff to review the copy IDs and access of IT support personnel and establish appropriate controls for any IT support personnel with access to PeopleSoft financial system modules. As part of our annual evaluation of system roles, we will provide additional information and training on system access, roles, and least access to those who request or assign

system roles and privileges; and will ensure that supervisors and system experts place special emphasis on the principal of least access when they review and approve access requests. We will create new copy IDs to provide less access where necessary.

Implementation Date: December 2014

Position Responsible: IT Security Officer

Southside Virginia Community College Response:

- AIS Module: Worked with the Business Manager on removal of posting capability for ATV and GL transactions for certain roles. The Business Manager or Accountant will review and post. On security that remained, queries and reports will be reviewed by the Business Manager/Accountant on a periodic basis.
- SIS Module: Requested that VCCS ITS Security Office split the current role of VX_SF_MAINTAIN_RECEIVABLES that includes both reverse charges/payments and write-offs in one role. VCCS ITS Security Office and Fiscal services are currently reviewing whether this is a valid option. Removal of access to write-off is the optimal solution, however if it is not allowed by VCCS then staff processing will be monitored via reports. A query will be built and instructions provided to Business Manager/Accountant for periodic review by the end of the month.
- Overall review:
  1. A website will be built that contains all full-time positions and necessary wage positions and that shows application access for each position. This will contain detailed information regarding the SIS/HRMS copy IDs and all roles that make up the position, AIS access and all roles assigned, and eVA access details. This will be built on the college's Google Site page that will allow access to all users of the college. Details will provide the specific navigations as provided from VCCS ITS Security. *Expected completion will be established as September 15, 2014.*
  2. Once the website is deployed, all users and supervisors will be provided a training module in the Knowledge Center and asked to validate his/her security. In addition, managers will have to validate the approval of all employees' access in addition to current EWP Part II. *Expected completion will be established as October 31, 2014.*
  3. A random sample will be requested from HR after EWP deadline to ensure the paperwork has been completed properly. This will be documented within IssueTrak for auditing purposes. *Expected completion will be established as December 15, 2014.*
  4. Quarterly review of application access will be conducted and documented via IssueTrak with data owners. Requested approval will be all data owners, security administrators, and ISO. *Expected completion will be established as October 31, 2014.*

Implementation Date: December 15, 2014

Positions Responsible: PeopleSoft Administrator and others as outlined above

Perform AIS Security Reviews Annually

Central Virginia Community College (CVCC)
Southside Virginia Community College (SVCC)

Central Virginia Community College Response*:*

The College acknowledges that current procedures must be reinforced which will require supervisors to perform periodic reviews of all users' access rights on an annual basis. Vice Presidents will be notified of those individuals who do not complete reviews in a timely manner and the President may also be notified in some cases.

Implementation Date: Complete

Position Responsible: IT Security Officer

Southside Virginia Community College Response*:*

The College did not complete a specific AIS Security annual review during fiscal year 2013. Our supervisors are required to sign off on the EWP annually to validate the employees' access to all application systems. However, no other annual review was conducted during that year.

A comprehensive review will be conducted by October 31, 2014 and will be documented via IssueTrak.

Implementation Date: October 31, 2014

Position Responsible: PeopleSoft Administrator

Deactivate User Access Promptly Upon Employee Separation

Central Virginia Community College (CVCC)
Eastern Shore Community College (ESCC)
Northern Virginia Community College (NVCC) (repeat finding)
Paul D. Camp Community College (PDCCC)
Southside Virginia Community College (SVCC)
Tidewater Community College (TCC) (repeat finding)

Central Virginia Community College Response*:*

The College has implemented a separation process that includes a termination checklist. The list requires notification to be sent to the Information Security Officer, through IssueTrak, so that access can be removed. This policy is published in the College policies and procedures manual and does establish the communication protocol.

Implementation Date: Complete

Position Responsible: Vice President of Finance and Administration

Eastern Shore Community College Response*:*

The College developed a new Employee Separation Policy and Checklist form as recommended by CAPP Manual Topic 50320. The new policy and form were approved by the College President and became effective July 1, 2014. The documents were distributed to employees by email and placed on the college intranet.

Implementation Date: Complete

Position Responsible: Vice President of Finance and Administration

Northern Virginia Community College Response*:*

HR will implement a college-wide separation policy that will shift responsibility from the exiting employee to the department supervisor. The Supervisors will ensure notification of the employee's exit, which will include a 105-021 resignation/retirement e-form that will create an electronic ticket notifying Human Resources, Payroll, IT, College Police, NOVACard, and Procurement (e-VA).

HR Business Partners, through position control reports, will proactively identify exiting employees and eVA users, and coordinate with their Deans and supervisors to ensure all access, including eVA access, is terminated. HR Business Partners will also ensure supervisors complete the 105-022 exit checklist and collect all college property.

Implementation Date: August 2014

Position Responsible: Director of Human Resources

Paul D. Camp Community College Response*:*

The College developed a formal process to ensure it removes user access promptly upon employee separation.

1) A termination form "Notice of Separation Form", compliant with Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320, was developed by the HR Director for use by all supervisors. Supervisors have been instructed to utilize this form for all employees that terminate employment with the College.

2) When Human Resources/Payroll is notified of a termination via the form, other departments are notified of the termination via an e-mail from Human Resources/Payroll.

3) A copy of the "Notice of Separation Form" will be sent to Computing Services within 3 days providing notification that the former employee's system access is to be removed. It will be signed by the appropriate Computing Services personnel and returned to the HR Director for scanning and retention.

4) Supervisor training on proper completion of forms will be conducted in August/September 2014, with follow up training conducted 4 times per year for individuals involved in the process to provide guidance on employee separation requirements and communication protocols.

5) The College HR Director will review all termination forms on a monthly basis to confirm that all forms are properly signed and system access removed and will report any discrepancies to the Vice President of Administration and Technology.

Target Implementation Date: August 29, 2014

Position Responsible: Human Resource Director

Southside Virginia Community College Response:

A review of granted access has been conducted and the following actions taken to improve the process:

1. A comprehensive checklist was developed to ensure all access will be removed for separated employees.

2. A database was built to contain all security information for tracking purposes and will be maintained by the Security Administrators.

3. Additional training was provided to the backup Security Administrator to emphasize the importance of processing exit tickets in a timely manner.

4. eVA quarterly reviews will be more comprehensive and fully documented within IssueTrak. These will be expanded to include the Business Manager (Data Owner), Purchasing Manager, Security Administrators, and ISO (Information Security Officer).   The quarterly reviews will be completed: January to March by April 30; April to June by July 31; July to September by October 31; and October to December by January 31.

Implementation Date: September 1, 2014

Position Responsible: PeopleSoft Administrator

Tidewater Community College Response:

The College concurs with the comment regarding timeliness of terminating access to TCC and state systems. The College put measures in place to improve the timeliness of reporting terminations by the Office of Human Resources (HR) to other offices that need to take action to terminate systems access. Based on the results of the audit, those measures appear to have been successful. However, the timeliness of reporting from the terminated employee's supervisor to HR has not improved. The College will develop and implement additional measures to improve the timeliness of reporting terminations to HR.

With respect to the comment regarding lack of supporting documentation to validate the termination dates recorded in Human Resource Management System (HRMS) for adjunct faculty, subsequent to the auditor's visit, the college provided the auditor with copies of the documentation used to determine the termination dates of six of the seven adjunct faculty. However, we question what authority requires documentation to validate a termination date entered in HRMS, which is the system of record for such information.

Implementation Date: September 15, 2014

Position Responsible: Director of Human Resources

Business Processes

CENTRAL VIRGINIA COMMUNITY COLLEGE (CVCC) RESPONSE

Reconcile Federal Activity Reports to Accounting Records

The College has completed reconciliations with the G5 activity reports and will continue to reconcile all activity on a monthly basis. The Vice President for Finance and Administration will review all reconciliations to ensure that they were performed.

The College has engaged a consultant to review, strengthen, and document all internal controls. The new Internal Control Manual will be kept on the College intranet and will be reviewed and updated annually. Periodic updates will also be made as warranted.

Implementation Date: Complete

Positions Responsible: Business Manager and Vice President of Finance and Administration

Develop Desk Procedures Related to Severance Pay and Retirement

The College Human Resource Department has created a Severance Process that includes the completion of the Virginia Community College System (VCCS) Checklist for Reduction in Staff and the completion of an Employee Data-Layoff spreadsheet.

Additionally, the process requires that the Vice President of Finance and Administration and the VCCS Human Resource Office review all severance figures prior to communication to the employee.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Improve Process for Calculating and Deducting Leave Without Pay from Employee Paychecks

The College Human Resource Department has created a separate Payroll Process for Leave without Pay payments for inclusion in the Payroll Process Procedures. Additionally, a Leave Process was also created for inclusion in the Leave Process Procedures.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Improve Controls over Leave Tracking and Reporting

The College Human Resource Department has created a separate Leave Liability Process. This process details the steps in developing the accrued payroll figures. It also details the verification of leave balance amounts between the HR Analyst for Adjunct Contracts and the HR Manager ensuring checks and balances in the process.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Improve Internal Controls over Pay Changes and Record Keeping

The College Human Resource Department has created a separate Adjunct Contracts Process. This process details the steps in creating and monitoring updated adjunct contracts. It also details the effective communication among HR and the division offices in processing accurate and timely paychecks for all adjunct employees throughout the fall, spring, and summer semesters.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Improve Procedures over the Certification of Payroll

The College Human Resource Department has updated the detailed Payroll Process. This process details the steps in processing paychecks for all employees. It also details the various roles throughout the process: responsibility for processing the payroll, reviewing and certifying the payroll, making changes, and verifying the changes were accurate.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Improve Processes Related to Employee Separation

The College Human Resource Department has created Separation Checklists for full-time and part-time employees. The Separation Process procedures have been updated to reflect the responsibility of each HR position.

Implementation Date: Complete

Positions Responsible: HR Manager and Vice President for Finance and Administration

Perform Reconciliations between VNAV and CIPPS

The College Human Resource Department has created a Retirement VNAV process. The process includes detailed steps for a thorough review of the VRS reconciliation reports pulled from Reportline. Additionally, the process includes the review and verification of all reconciliations between the HR Assistant and HR Manager.

The HR Department has received additional training and is now completing all reconciliations as required.

Implementation Date: Complete

Position Responsible: HR Manager

Retain Fixed Asset Physical Inventory

The College is actively conducting a physical inventory of capital assets with review by the Vice President for Finance and Administration. The College will adhere to the inventory policy established in the College's Policies and Procedures Manual.

The College has engaged an outside consultant to review all policies and procedures including inventory and they will be placed on the College intranet.

Implementation Date: October 1, 2014

Positions Responsible: Business Manager and Vice President for Finance and Administration

Improve Accounts Receivable Policies and Procedures

The College will develop policies and procedures for both the aging and write-off of uncollectible accounts. These procedures will be developed in consultation with the System Office and incorporated into the College's new Policies and Procedures Manual. A quarterly review of accounts receivable will be completed by the Business Manager in conjunction with the preparation of the quarterly accounts receivable report to ensure that all accounts are aged and written off in a timely manner. A review of the process will be completed by the Vice President for Finance and Administration to ensure compliance.

Implementation Date: October 1, 2014

Position Responsible: Business Manager

Improve Collection Procedures for Off-Site Centers

An independent consultant is assisting the College in developing policies and procedures regarding collections for the off-site centers. These procedures will be completed and placed on the intranet in the new policies and procedures manuals. The documented procedure will require that all checks be stamped for deposit immediately upon receipt and will only be transported in a locked bag and in a manner approved the College Chief of Police.

Implementation Date: October 1, 2014

Position Responsible: Business Manager

PAUL D. CAMP COMMUNITY COLLEGE (PDCCC) RESPONSE

Continue to Improve and Monitor Internal Control Environment to Address Internal Control Weaknesses

The College has been working for over a year in conjunction with the System Office, Thomas Nelson Community College (TNCC) and McGladrey L.L.P. creating a Service Level Agreement (SLA) to address internal control issues. The resulting SLA – Business Office Shared Services Project between TNCC and PDCCC was effective on January 7, 2014.

The transition of the PDCCC Business Office functions to TNCC is a positive step for PDCCC and addresses the weaknesses found in the following areas:

- Revenues
- Cash
- Receivables
- Expenditures
- Grants
- Reconciliations and
- General Controls

PDCCC will continue to work with TNCC to ensure that roles and responsibilities are adequately defined, per the existing Service Level Agreement, preventing weaknesses going forward. Additionally, in areas of responsibility that remain with PDCCC we will review and reevaluate our internal control environment establishing additional policies, procedures, controls, and oversight where needed.

Target Implementation Date: December 31, 2014

Position Responsible: Vice President of Administration and Technology

Ensure Payroll is Properly Authorized

In some instances, employment contracts and wage authorization forms were not properly authorized by the appropriate signature as monitoring was hindered due to employee turnover in the Payroll department.

1) PDCCC Policy 457 has been reviewed and is in compliance with Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50305 New Employee Adds, and CAPP Manual Topic 50310 Rehires and Employee Data Changes, requiring that all new employees, and rehired employee maintenance items, are entered into Commonwealth Integrated Payroll/Personnel System (CIPPS) by the Payroll Officer.

2) The Payroll Officer will not input the employee information into CIPPS unless the appropriately signed Pay Action Worksheet (PAW), Wage Authorization Form, VCCS-10 Form, Adjunct Qualification Form, or Stipend Form has been submitted prior to processing payment for an employee.

3) Once the appropriately signed documents have been input into CIPPS they will be scanned and retained in a dedicated folder on a secure server for efficient access and retrieval by the Human Resources (HR) Director or designee.

4) The Paul D. Camp Community College (PDCCC) HR Director will review these forms on a monthly basis to confirm that all properly signed and dated authorizations are on file. Any

forms that do not meet the time and signature criteria will be brought to the attention of the PDCCC Vice President of Administration and Technology.

5) Supervisor training is being scheduled for August/September 2014. Supervisors will be trained in the completion of new hire paperwork (to include authorizing signatures on forms), and on the proper procedures for processing and starting new hires.

6) Follow up training will be provided 4 times per year as refresher training for current supervisors, and initial training for new supervisors.

Target Implementation Date: September 2014

Position Responsible: Human Resources Manager

Improve Procedures over the Certification of Payroll

The College will continue to create and review the necessary reports created in Human Resources Management System (HRMS) and the Commonwealth Integrated Payroll/Personnel System (CIPPS) per the Commonwealth Accounting Policies and Procedures (CAPP) Manual and guidance provided by the System Office.

Adherence to the CAPP pre and post certification process is outlined in the PDCCC Internal Control documents.

The Payroll Manager will ensure that these processes continue to be followed, and will monitor the payroll processor (wage and adjunct) to ensure that proper procedures are followed.

Target Implementation Date: Completed/Ongoing

Position Responsible: Payroll Manager

Improve Controls over the Funding of Payroll

The College will dedicate necessary resources to ensure the payroll department is reviewing all of the appropriate employee documentation during the completion of the payroll process particularly the reconciliation of fund and program charges.

Working in conjunction with the Virginia Community College System (VCCS) and Thomas Nelson Community College (TNCC). PDCCC has entered into a Service Level Agreement for TNCC to perform many of the business processes.

1. The Human Resources (HR) Director will develop a personnel action form for use by managers when departments are changing funds. This form will include the old fund along with the new funding numbers and effective date. This form must be signed and returned to

HR/Payroll. HR/Payroll will update the Personnel Management Information System (PMIS), the Human Resource Management System (HRMS), and the Commonwealth Integrated Payroll/Personnel System (CIPPS).

2. The HR Director will work with the PDCCC Financial Analyst to review the general ledger work sheets on a monthly basis. They will be reconciling information for payroll limits, negative balances, and any payroll anomalies.

3. Any discrepancies will be reported to the Vice President of Administration and Technology.

Target Implementation Date: August 29, 2014

Positions Responsible: Human Resource Director and PDCCC Financial Analyst

Improve Processes Related to Employee Separation

The College developed a formal process, compliant with Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320, to ensure collection of all college property upon employee termination or separation, and to ensure that employees do not appear on payrolls after they have been terminated and that computing system access has been removed.

1) In February 2013, a termination form "Notice of Separation Form", compliant with CAPP Manual Topic 50320, was developed by the HR Director for use by all supervisors. The supervisor utilizes the form to collect college property such as charge cards, electronic equipment, ID cards, keys, computers, etc., and to ensure any outstanding debts to the college have been paid. The supervisor's signed copy must be returned to HR. Supervisors have been instructed to utilize this form for all employees that terminate employment with the College.

2) When Human Resources/Payroll is notified of a termination via the form, other departments are notified of the termination via an e-mail from Human Resources/Payroll.

3) A copy of the "Notice of Separation Form" will be sent to Computing Services providing notification that College provided computing resources are to be collected. It will be signed by the appropriate Computing Services personnel and returned to the HR Director for scanning and retention.

4) Supervisor training on proper completion of forms will be conducted in August/September 2014, with follow up training conducted 4 times per year.

5) The College HR Director will review all termination forms on a monthly basis to confirm that all forms are properly signed and system access removed and will report any discrepancies to the Vice president of Administration and Technology.

Target Implementation Date: September 2014

Position Responsible: Human Resource Director

EASTERN SHORE COMMUNITY COLLEGE (ESCC) RESPONSE

Fully Implement HRMS for Leave Tracking and Reporting

The College will continue to fully implement the leave tracking system Human Resource Management System/Absence Management. Support from System Office Human Resources has been requested until the College has fully implemented HRMS/AM.

Implementation Date: In progress with a completion goal of January 10, 2015

Positions Responsible: Vice President of Finance and Administration
                                      Business/Human Resources Manager

Improve Written Policies and Procedures for Payroll Processes

The College performed a review of payroll policies and procedures. Written procedures for payroll processes were developed that clearly define the procedures performed in great detail.

Implementation Date: Complete

Position Responsible: Vice President of Finance and Administration

Improve Processes Related to Employee Separation

As noted in the Systems Access response above, the College developed a new Employee Separation Policy and Checklist form as recommended by CAPP Manual Topic 50320. The new policy and form were approved by the College President and became effective July 1, 2014. The documents were distributed to employees by email and placed on the college intranet.

Implementation Date: Complete

Position Responsible: Vice President of Finance and Administration

Properly Approve Vendor Purchases

Procedures are in place and the business office personnel have been retrained to ensure all vendor purchases have appropriate approvals.

Implementation Date: Complete

Position Responsible: Business/Human Resources Manager

NORTHERN VIRGINIA COMMUNITY COLLEGE (NVCC) RESPONSE

Improve Facilities Contract Management

Item Number	Recommendation	Action Taken	Person Responsible	Implementation Date
1	Review current facilities contracts and ensure they are structured properly.	We have conducted the review. All professional services contracts are structured under the CPSM requirements and one non-professional services contract currently in place is structured under the APSPM requirements. That contract has had a contract administrator (CORA) assigned as required by the Manual.	Acting Director of Facilities Management	Done
2	Update and develop policy and procedures.	Work commenced.	Acting Director of Facilities Management	December 2014
3a	Implement a second level review and approval.	A second level reviewer has already been established within the facilities chain of command.	Acting Director of Facilities Management	Done
3b		The College will establish a new position outside the chain of command of the Facilities department to perform these second level reviews/approvals of invoices.	Vice President and Chief Administrative Officer	October 2014

Implementation Date: See Chart above

Position Responsible: See Chart above

Improve Leave Liability Reporting

The College was in the process of transitioning HR systems (Denosys to HRMS) during fiscal year 2013. Denosys was still considered (at the time) the most accurate system of record, thus the Leave Liability reports were generated from the system. During the transition, every effort was made to diminish inaccuracies between the two systems but a very small variance was discovered. After Denosys was officially decommissioned in December 2013, the College began utilizing up-to-date timelines and leave balances in HRMS, which has become the system of record.

Going forward, all Leave Liability Reports will be generated from HRMS, according to the guidelines provided by VCCS, to maintain system integrity.

Implementation Date: Complete

Position Responsible: Director of Human Resources

Perform Reconciliations between VNAV and CIPPS

The College did not perform VRS reconciliations during the 2013 fiscal year. In February 2014, the HR Director was trained and received guidance from VCCS on completing the report. Exception reports are pulled from the Department of Accounts Reportline data base and the reconciliation is performed on a monthly basis.

Implementation Date: Complete

Position Responsible: Director of Human Resources

Ensure Payroll is Properly Authorized

HR will ensure presidential approval is documented prior to making any mass changes (across-the-board changes) to pay rates. HR will also continue to send the appropriate spreadsheets, overload memos, along with the Presidential and VCCS directives/approvals to the Payroll Dept. as authorization to change/adjust pay rates for NOVA employees. HR will ensure that the Divisions and HR Business Partners establish monthly campus exception reporting systems to verify accurate adjunct contracts and class assignments are in place.

Implementation Date: September 2014

Position Responsible: Director of Human Resources

SOUTHSIDE VIRGINIA COMMUNITY COLLEGE (SSVCC) RESPONSE

Record Capital Assets in Asset Management System

The piece of equipment in question has been added to the Asset Management System. Processes have been better defined to make sure all capital assets are recorded in the Asset Management System. The Business Manager will provide the CARS Potential Fixed Asset Reports to the Grants Accountant for review to ensure that all items have been entered. The Grants Accountant will also review the Weekly Potential Fixed Asset Reports to ensure that no items are missed and that assets are keyed to the system in a timely manner. The Purchasing Agent will receive additional training on identifying items that should be added to inventory so that appropriate documentation is provided to the Grants Accountant prior to the asset being reported on the Potential Fixed Asset Report.

Implementation Date: September 1, 2014

Position Responsible: Business Manager

Improve Leave Liability Tracking and Reporting

The College has presented a detailed preliminary response regarding the six individuals noted as having inaccurate leave balances on the leave liability report. The college notes that some discrepancies were related to the rules for excess leave, the design of the leave liability report and leave balances that don't carry a cash value. As a result, two of the employees referenced were actually correct. For the remaining four employees, several of the findings had already been identified internally and adjustments had been made in HRMS. The College is currently auditing the leave records for named employees. Upon completion, we will evaluate the need for further audits.

The College will dedicate additional resources to maintain a separate leave tracking system to enable a reconciliation to HRMS. Upon hire, the leave coordinator will be provided training on the absence management module of HRMS.

Implementation Date: December 2014

Responsible Position: Human Resource Manager

Properly Complete Employment Eligibility Verification Forms

As a multi-location College with a large number of part-time hires per year, the College has decentralized the hiring process to hiring managers for part-time employees. Hiring managers have been trained regarding the federal requirements for I-9s. In addition, as a part of each hiring packet, the reporting timelines are detailed.

The College will offer a refresher training course on the I-9 process to all hiring managers. In addition, the College's Human Resources is implementing an online onboarding system that will allow HR to closely monitor the process. The system also sends numerous automatic task notices to new hires and hiring managers regarding I-9 time reporting and documentation.

Implementation Date: Training will be offered and required for all hiring managers in August and September 2014. The onboarding system will be launched in September 2014.

Position Responsible: Human Resource Manager

SYSTEM OFFICE RESPONSE

Ensure Capital Outlay Projects are Closed Out within Allowable Time Period

Facilities Management Services has been working to complete and submit the outstanding CO-14 forms. Controls have been put in place to ensure that the capital outlay projects are closed out in accordance with state guidelines. Additionally, the System Office is in the process of procuring a web-based project management system that will provide the ability to track projects and issue reminders which will assist in the timely completion of CO-14s.

Implementation Date: All outstanding CO-14's will be complete by December 1, 2014

Position Responsible: Associate Vice Chancellor of Facilities Management Services

Improve Internal Controls to Ensure Data is Properly Transferred between Human Resources Systems

Colleges are ultimately responsible for the accuracy and timeliness of HRMS data entry. As part of the System Office (SO) Human Resource Management System (HRMS) functional team's ongoing improvement stream efforts, we will further assist the colleges and SO by developing and implementing auditable and measurable utilization standards for HRMS that specifically govern the minimum requirements over the frequency and documentation of college query reviews. We will continue to evaluate policy, procedure, or technology enhancements to promote the efficiency and effectiveness of HRMS operations including the expansion of the data interface between HRMS and PMIS up to and including all related transactions.

Target Implementation Date: November 15, 2014 for Standards. Consideration of expanding data interface February 16, 2015. All actions are contingent upon the availability of budgeted or needed resources.

Positions Responsible: HR Director and HR Technology Manager

TIDEWATER COMMUNITY COLLEGE (TCC) RESPONSE

Properly Complete Termination Forms for Work Study Employees

The College has placed a premium on ensuring timely notification regarding terminated employees. To that end, and specifically with regard to the Work-Study Students (federal- and state-supported), the Human Resources Office implemented a process in coordination with the Central Financial Aid and the campus Financial Aid offices regarding the termination of Work-Study Students in the Human Resource Management System (HRMS) and terminating their access to other systems as necessary.

The revised termination process for Work-Study Students is as follows:

- Each week, the campus Financial Aid Coordinators provide email notifications to Human Resources identifying Work-Study Students whose employment needs to be terminated.

- Human Resources uses those notifications as documentation to process the terminations in a timely manner.

- Human Resources provides timely notification to other College offices of the terminations by e-mail to designated staff. Notifications are sent to the Office of Information Systems, several Financial Services offices, and the Office of Safety & Security. Each office is responsible for terminating access to the systems in its areas of operation.

- At the end of every spring semester, HR terminates all remaining Work-Study Students in HRMS and provides notification to the offices delineated above for termination of the students' access in various College systems.

Although the revised procedure did not specifically obviate the need to submit the *Notice of Separation Form* (HR-21), it is apparent that its effect was that supervisors of Work-Study Students assumed the HR-21 was no longer required. The College will emphasize the need to document that terminated Work-Study Students have fulfilled all their employee-related obligations to the College, including return of any keys, portable electronic devices, etc. that had been issued to them.

Implementation Date: December 1, 2014

Position Responsible: Director of Human Resources

Student Financial Aid

Properly Calculate and Return Title IV Funds

Danville Community College Response:

The Business Office will perform the following processes to ensure the prompt Return of Title IV funds:

- Update policies and procedures to address the Return of Title IV funds.
- Process the revenue refund to DCC Federal Funds within seven business days of receiving the list of students from the Financial Aid Office.
- Send the refund to the Department of Education once the funds are received back at the College.
- The Return to Title IV Workflow Checklist is used to track each step in the process and to ensure return of funds within 45 days. The checklist is dated when each step has been completed and a copy of the checklist is maintained with each completed batch.
- The Business Manager will monitor steps in process by entering due dates on Outlook Calendar.
- Training related to the Return to Title IV was provided by the VCCS and the Department of Education. The College's Business Office staff has been trained in these updated procedures and the Business Manager will provide backup in this area.

Implementation Date: Complete

Position Responsible: Business Manager

Patrick Henry Community College Response:

Procedures have been strengthened to ensure the proper identification, calculation and Return of Title IV funds. Processes have been refined to utilize the Outlook e-mail program to provide the responsible staff with reminders to generate the report that identifies students for purposes of the calculation of the Return of Title IV funds.

Implementation Date: Complete

Position Responsible: Financial Aid Coordinator

Piedmont Virginia Community College Response:

The following actions will be taken with regard to Return of Title IV Funds:

- Policies and procedures will be made clear and the College will utilize the Virginia Community College System (VCCS) Custom Return to Title IV Report (R2T4). The report will be run weekly and after the grades have been posted each semester.
- Students who show a last date of attendance after the last day to drop with a refund but before the 60 percent point in the semester will be assumed to have withdrawn and a Return of Title IV calculation will be performed. If the last date of attendance is unknown, the calculation will be performed as if the student attended 50 percent of the payment period or period of enrollment.
- The College's IT Department and the Financial Aid Office will confer as to the correct number of calendar days in a payment period or period of enrollment before each semester. No changes will be made to those days without communications between departments. No changes to the Holiday Adjustment function will be made without conferring with the Financial Aid Office.
- The College will communicate with professors instructing them to provide the last date of academic activity for students who stop attending.
- The Financial Aid Office will continue to retain all documentation used to determine whether aid should be returned for all students flagged in the query. Use of the VCCS Custom R2T4 Worksheet will aid in ensuring accurate calculations.
- Adjustments will be appropriately made, and funds returned to the Department of Education for the identified eleven students in Fall 2012 and five students in Spring 2013 for aid that was not earned.

Implementation Date: Complete

Position Responsible: Financial Aid Director

Return All Excess Cash to Department of Education within Required Timeframe

Rappahannock Community College Response:

The College returned all funds to the Department of Education for the Pell program and all expenses for fiscal year 2013 were reconciled and agreed in the Accounting Information System (AIS), Student Information System (SIS), and US G5 Grants Management System (G5). There are no questioned costs. During the course of the year, refunds were processed from Pell to the Student Support Services program, which was allowed within the Department of Education (DOE) G5 process. This process will not be continued. All refunds are now processed back to DOE by direct transfer from

the state grant account to the Federal checking account to DOE. All refunds to DOE will be processed within the three business day window. The three days will be from the time funds are deposited to the state grant account and posted to the student's account in SIS to the time funds are refunded from the state grant account to be transferred back to DOE.

Implementation Date: Complete

Positions Responsible: Business Manager

Improve Documentation of Monthly Reconciliations of Direct Loans

Danville Community College Response*:*

The Financial Aid Office (FAO) will maintain documentation supporting the monthly reconciliation of the FAO's internal records to the Direct Loan System and College Business Office upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursements (COD) system. Procedures were updated and training was provided to the FAO staff. The Financial Aid Coordinator will sign off on the reconciliation of the College's records to those of the Department of Education as part of the reconciliation review process.

Implementation Date: Complete

Position Responsible: Financial Aid Coordinator

Lord Fairfax Community College Response*:*

The College created a process to perform the reconciliation on a monthly basis to ensure compliance with federal regulations. Documentation supporting the monthly reconciliation of direct loans of the College's financial records to the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system will be maintained on a shared drive folder for the office.

Implementation Date: Complete

Position Responsible: Director of Financial Aid

Piedmont Virginia Community College Response*:*

The reconciliation will be completed on a monthly basis and support will include the College's financial records reconciled to the School Account Statements (SAS) from the Common Origination and Disbursement system. The monthly completed reconciliation file will be reviewed by and signed off by the director or designee, along with the loan officer charged with preparing the reconciliation.

Implementation Date: Complete

Position Responsible: Financial Aid Director

Develop and Improve Policies and Procedures

Danville Community College Response:

The Financial Aid Coordinator updated written policies and procedures for processing student financial aid relative to the use of Tidewater Community College as a central processor. The updated policies and procedures were approved by college management and communicated to the Financial Aid Office (FAO) staff through initial training which will be ongoing.

Implementation Date: Complete

Position Responsible: Financial Aid Coordinator

Lord Fairfax Community College Response:

The Director of Financial Aid updated written policies to include the procedures for using the National Student Loan Data System (NSLDS) and the Common Origination and Disbursement (COD) system. Adherence to updated policies and procedures will be monitored on an ongoing basis to ensure the accurate awarding and reporting of student financial aid in compliance with Federal regulations.

Implementation Date: Complete

Position Responsible: Director of Financial Aid

Patrick Henry Community College Response:

The Financial Aid policy manual was strengthened and revised to include all aspects of Return to Title IV including the College's respective policies. Ongoing monitoring of policies and procedures will ensure the continued compliance with Federal laws.

Implementation Date: Complete

Position Responsible: Financial Aid Coordinator

Piedmont Virginia Community College Response:

The Business Office Accountant will update policies and procedures with regards to the reconciliation of the Department of Education G5 to the College's accounting system. The Financial Aid Director is currently completing policies and procedures for processing student financial aid relative to the use of Tidewater Community College as a central processor. Policies and procedures for return of title IV aid calculations for student withdrawals are being updated and strengthened. Written policies for the monthly reconciliation of direct loans are also being updated and clarified.

Implementation Date: Complete

Positions Responsible: Financial Aid Director
                                 Business Office Accountant

Improve Notification of Direct Loan Awards to Students

Danville Community College Response:

The Financial Aid Office has developed a process for sending written notifications to all students who receive Federal Direct Loan Awards by activating the process that is available in the Student Information System (SIS). This process will ensure that students are appropriately notified of the loan disbursement date and the amount has been applied to their student account. The students are sent a letter detailing this information including the option to decline the loan. The students are also notified by e-mail if their mailing address has changed. Policies and procedures have been updated to reflect the new processes.

Implementation Date: Complete

Position Responsible: Financial Aid Coordinator

Piedmont Virginia Community College Response:

The College will reinforce the process of sending out notifications to students or parents of Federal Direct Loan Awards. The notifications will contain the i) anticipated date and amount of the disbursement, ii) the student's or parent's right to cancel all or a portion of that loan, and have the loan proceeds returned to the holder of that loan, and iii) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan and loan disbursement. The College will send email notification to all students who receive Federal Direct Loan Awards and these notifications swill be sent within the required timeframes.

Implementation Date: Complete

Position Responsible: Financial Aid Director

Reconcile Federal Funds Accounts

Rappahannock Community College Response:

The College does regularly perform reconciliations between US G5 Grants Management System and Rappahannock Community College's accounting records. However, the reconciliation is not always documented formally. During the 2013 fiscal year the reconciliations were performed periodically throughout the year with supporting documentation in the form of a spreadsheet and corresponding G5 sheets. The official record of expenses is the AIS accounting system. The spreadsheet is a supplementary tool to record the reconciliation between AIS (accounting), SIS (student system), and

G5 (Department of Education). In the future the reconciliations will be performed monthly with all documentation printed, forwarded to the Financial Aid Officer, and approved by the VP of Finance.

Implementation Date: Complete

Positions Responsible: Business Manager
                                  Financial Aid Officer

Danville Community College Response:

On a monthly basis a payment distribution reconciliation of the following systems (SIS/AIS/G5) will be completed by the grant accountant on the 15th workday of each month and signed off by the Business Manager. On a quarterly basis, a reconciliation of all systems used in drawing down and depositing federal funds (COD-Fin Aid, SIS, G5, and AIS) will be performed. Procedures are in place to document the monthly and quarterly reconciliation process to ensure that the appropriate backup support is maintained. On-going training will continue to be provided to the grant accountant to reinforce the reconciliation process.

Implementation Date: Complete

Positions Responsible: Grant Accountant
                                  Business Manager

Improve Compliance over Enrollment Reporting

Tidewater Community College Response:

The College has implemented a written procedure which will ensure that accurate graduate information is sent to the Department of Education using the National Student Loan Data System (NSLDS).   Enrollment updates to NSLDS will be reviewed and a reconciliation will be performed so that the data in NSLDS agrees to the College's academic records.

Implementation Date: Complete

Position Responsible: Office of the College Registrar

COMMUNITY COLLEGE PRESIDENTS

As of June 30, 2013

Blue Ridge Community College	Dr. John A. Downey
Central Virginia Community College	Dr. John Capps
Dabney S. Lancaster Community College	Dr. Richard R. Teaff
Danville Community College	Dr. B. Carlyle Ramsey
Eastern Shore Community College	Dr. Linda Thomas-Glover
Germanna Community College	Dr. David A. Sam
J. Sargeant Reynolds Community College	Dr. Gary L. Rhodes
John Tyler Community College	Dr. Marshall W. Smith
Lord Fairfax Community College	Dr. Cheryl Thompson-Stacy
Mountain Empire Community College	Dr. J. Scott Hamilton
New River Community College	Dr. Jack M. Lewis
Northern Virginia Community College	Dr. Robert G. Templin, Jr.
Patrick Henry Community College	Dr. Angeline Godwin
Paul D. Camp Community College	Dr. Paul W. Conco
Piedmont Virginia Community College	Dr. Frank Friedman
Rappahannock Community College	Dr. Elizabeth H. Crowther
Southside Virginia Community College	Dr. John J. Cavan
Southwest Virginia Community College	Dr. J. Mark Estepp
Thomas Nelson Community College	Dr. John T. Dever
Tidewater Community College	Dr. Edna Baehre-Kolovani

Virginia Highlands Community College   Dr. Ron E. Proffitt

Virginia Western Community College   Dr. Robert H. Sandel

Wytheville Community College   Dr. Charlie White