

VIRGINIA COLLEGE SAVINGS PLAN

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Virginia College Savings Plan (Plan) for the year ended June 30, 2007, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that we do not consider to be a material weakness; and
- an instance of noncompliance required to be reported.

We have audited the basic financial statements of the Plan's enterprise fund, which is a major fund, and the private-purpose trust funds as of and for the year then ended June 30, 2007 and issued our report thereon, dated December 6, 2007. Our report is included in the Plan's Annual Report that it anticipates releasing on or around December 13, 2007.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Management of Information Technology Components

We found an improperly configured component of the Plan's information systems that created a vulnerability to their systems and data. We did not find any indication that someone had exploited this vulnerability and Plan management took immediate action to change the configuration setting. In the case of the component we reviewed, we are concerned that the Plan's information technology staff may not understand the risks this vulnerability presents.

We recommend Plan management ensure they have sufficient technical expertise to keep up with information technology best practices or hire experts to periodically consult where technical resources are lacking.

Properly Complete Employment Eligibility Verification Forms

Plan employees and supervisors are not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. The guidance requires the employee to complete, sign and date the form on or before the first day of employment. Additionally, the employer or designated representative must complete, sign and date the form within three business days of employment. Furthermore, the form contains space for the employer to list the documents proving citizenship that they verified.

In our sample of six I-9 forms completed during fiscal year 2007, we found one or more errors on two of the forms as follows:

- One of six tested (17%) failed to have the employee complete and sign Section 2 on or before the first day of employment.
- One of six tested (17%) failed to have the employer complete and sign Section 2 within three business days of the employee's start date.
- One of six tested (17%) failed to list the issuing authority, documentation number, and expiration date for the employee's driver's license in Section 2.

We recommend that the Human Resources staff review the process to complete the I-9 forms, train human resources staff on the requirements of completing these forms, and develop procedures to continuously review all or a sample of forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. This increased enforcement makes having a good process to complete I-9 forms in place more important than ever before. Furthermore, we recommend that the Plan be cautious in the amount of documents it requests from each employee because employers requesting more than the minimum amount of documentation from employees could be subject to fines and penalties, as the US Department of Homeland Security considers it a form of harassment.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 6, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board Members
Virginia College Savings Plan

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

We have audited the basic financial statements of the Virginia College Savings Plan as of and for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Virginia College Savings Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Virginia College Savings Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Virginia College Savings Plan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency entitled "Improve Management of Information Technology Components", which is described in the section titled "Internal Control and Compliance Findings and Recommendations", to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

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

Report Distribution and Exit Conference

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

We discussed this report with management at an exit conference held on December 6, 2007.

AUDITOR OF PUBLIC ACCOUNTS



COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN

MARY G. MORRIS
EXECUTIVE DIRECTOR

P.O. BOX 607
RICHMOND, VIRGINIA 23218-0607
(804) 786-0719

December 6, 2007

Mr. Walter J. Kucharski
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Mr. Kucharski,

We would like to take this opportunity to thank you and your representatives for their attention to our operations, specifically in regards to compliance with Immigration and Naturalization Service (INS) regulations and systems security. We are committed to a high standard of risk assessment, internal controls and compliance at all levels within the Virginia College Savings Plan. In this effort, we consistently strive to ensure our policies and actions reflect our conservative approach to systems security. We also strive to ensure that our human resource procedures for new hires include completing all the federal, state and agency required employment documents in a timely manner. Therefore, we would like to address the two issues identified in your report entitled, "Improve Management of Information Technology Components" and "Properly Complete Employment Eligibility Verification Forms."

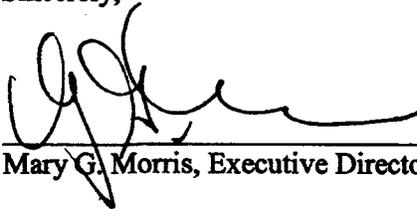
We strive to ensure that our systems security effort gives priority to mitigating potential vulnerabilities. Nevertheless, we continue to challenge ourselves to higher security standards. We began a process in early 2007 to implement a new solution relating to component configurations, to be completed by the end of the year. Consistent with our conservative approach to system security, we immediately adjusted certain components to address your issues when they were communicated to us. In addition, we are committed to ensuring that we retain sufficient technical expertise or periodically hire experts to keep up with information technology best practices and address our growing information system needs.

We believe the instances of non-compliance identified in your report related to employment eligibility verification forms are isolated exceptions that have no negative impact on our compliance with the intent of the INS regulations. The employee in the first instance works remotely from her home outside the Richmond area. As a result, there was a time lag in the completion and receipt of paperwork in our Richmond office. While the form was completed

one day past the three day INS requirement, all proper documentation was provided, examined, and attested to for the employee's identification and eligibility for employment. The second instance, not identifying the issuing authority, documentation number and expiration date, was an oversight. However, it is Plan policy to retain copies of the original documents provided by employees for examination by management as evidence of identity and eligibility of employment. All original documents provided by employees are appropriately attached to their I-9 form.

As a result of your comments, we have reviewed our procedures for new hires to ensure that all required federal, state and agency documents are completed appropriately and comply with the time limitations. We have also discussed this issue with all appropriate personnel of the Plan and Department of Accounts to ensure they are aware of the requirements and potential ramifications. In addition, the Director of Administration has completed a 100% review of our personnel files to ensure compliance with I-9 requirements and found no other exceptions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary G. Morris', is written over a horizontal line.

Mary G. Morris, Executive Director

VIRGINIA COLLEGE SAVINGS PLAN
Richmond, Virginia

BOARD MEMBERS
As of June 30, 2007

Mr. Frank M. Conner III, Chairman
Mr. David A. Von Moll, Vice-Chairman
Mr. J. Braxton Powell, Secretary/Treasurer

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Daniel J. LaVista, Ph.D.

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EXECUTIVE DIRECTOR

Ms. Diana F. Cantor

