

VIRGINIA COMMONWEALTH UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Virginia Commonwealth University for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses;
- three instances of noncompliance or other matters required to be reported; and
- the University had not completed corrective action for the previously reported issue entitled Improve Employment Eligibility and Verification Process and that issue is repeated in this report.

We have audited the basic financial statements of Virginia Commonwealth University as of June 30, 2008, and for the year then ended and issued our report thereon dated December 15, 2008. Our report, included with the University's basic financial statements, is available at the Auditor of Public Accounts' web site at www.apa.virginia.gov and at the University's web site at www.vcu.edu.

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COMPLIANCE FINDINGS AND RECOMMENDATIONS

Compute Title IV Refund Calculations Accurately

The Office of Financial Aid did not accurately calculate Title IV refund calculations throughout the 2007-2008 academic year. Financial aid staff used a spreadsheet application to compute the refunds; however, incorrect formulas led to incorrect calculations. In July 2008, the Office of Financial Aid recalculated all Title IV refund calculations for students where a refund to the program would be required. These errors affected 166 student accounts and required the University to refund an additional \$170,494 in aid to the Title IV programs. Financial aid staff sent letters to students affected by the recalculation advising how this changed the balance of their student account.

We recommend that University management continue to implement the Banner automated Title IV refund calculation function for the 2008-2009 academic year. Until the University fully implements the automated calculations, we recommend that supervisors review all Title IV refund calculations. University management should also institute review procedures to determine that staff are calculating refunds accurately and in a timely manner.

Identify Unofficial Withdrawals Promptly

The Office of Financial Aid did not promptly identify Title IV students who discontinued attending classes without notifying the Registrar (unofficial withdrawals). To identify unofficial withdrawals, the University is required to promptly investigate those students who receive no passing grades each semester.

In July 2008, the Office of Financial Aid identified 33 students who were unofficial withdrawals for the Fall 2007 and the Spring 2008 semesters and subject to a Title IV refund. The University was required to return \$42,106 to the Title IV programs. These Title IV refunds were not calculated and made in a timely manner.

We recommend that the University promptly identify those students without any passing grades each semester so that Title IV refunds can be calculated and made in a timely manner. The Office of Financial Aid has since developed a policy to implement this requirement. Promptly identifying unofficial withdrawals is an important step to assist the University to be in full compliance with regulations requiring timely Title IV refunds.

Improve Employment Eligibility and Verification Process

In the prior year audit, we reported that University employees do not properly complete Employment Eligibility Verification (I-9) forms in accordance with guidance issued by US Citizenship and Immigration Services of the US Department of Homeland Security. New employees are required to complete, sign, and date this form on or before the first day of employment. Additionally, the University's designated representative must complete, sign, and date Section 2 of the form within three days of employment.

In our sample of 20 forms, we found one or more errors on twelve forms. Employees did not complete some forms before the first day of work, or staff did not verify the information within the first three business days of employment. In other cases, University supervisors failed to document the "Issuing Authority" or "Expiration Date" of the reviewed documents. In addition, White Out was used to correct some forms as opposed to crossing through the error along with initialing and dating the correction.

We recommend that the University's Human Resource Division review the process to complete the I-9 forms and continue to train human resources staff on the requirements of completing these forms. The Human Resource Division should also consider periodically reviewing completed forms to determine the University's compliance with these regulations. It is critical for the University to have a good process to complete I-9 forms.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 15, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Commonwealth University

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

We have audited the financial statements of the business-type activities and the discretely presented component units of **Virginia Commonwealth University** as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 15, 2008. Our report was modified to include a reference to other auditors. 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. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Instances of noncompliance and other matters, entitled "Compute Title IV Refund Calculations Accurately," "Identify Unofficial Withdrawals Promptly," and "Improve Employment Eligibility and Verification Process," are described in the section titled "Compliance Findings and Recommendations"

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

Status of Prior Findings

The University has not completed adequate corrective action with respect to the previously reported finding "Improve Employment Eligibility Verification Process." Accordingly, we included this finding in the section entitled "Compliance Findings and Recommendations." The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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, the Board of Visitors, 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 4, 2008.

AUDITOR OF PUBLIC ACCOUNTS

JHS/wdh



Monroe Park Campus

V i r g i n i a C o m m o n w e a l t h U n i v e r s i t y

Senior Vice President for
Finance and Administration

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December 12, 2008

David A. Von Moll
State Comptroller
Virginia Department of Accounts
P.O. Box 1971
Richmond, VA 23218

Subject: Response to Internal Control and Compliance Findings and Recommendations of the Auditor of
Public Accounts

Dear Mr. ~~Von Moll~~: *David*

In compliance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual, Section 10200, Financial Management, Virginia Commonwealth University (VCU) is submitting its response to the "Internal Control Findings and Recommendations" of the Auditor of Public Accounts' Report on Audit for the Year Ended June 30, 2008.

Should you have any questions or require additional information, please contact me at 828-6116.

Sincerely,

John M. Bennett
Senior Vice President for Finance and Administration

Enclosure

cc: The Honorable Thomas R. Morris, Secretary of Education
Walter J. Kucharski, Auditor of Public Accounts
Daniel S. Timberlake, Director, Department of Planning and Budget

DEC 22 '08 AM 11:29

During Virginia Commonwealth University's (VCU) annual audit, the Auditor of Public Accounts routinely considers internal controls to determine financial statement auditing procedures. Although the Auditor provides no assurance about internal controls, three reportable conditions are noted in his report.

The following internal control and compliance recommendations are included in the VCU Report on Audit for the year ended June 30, 2008:

1. Compute Title IV Refund Calculations Accurately
2. Identify Unofficial Withdrawals Promptly
3. Improve Employment Eligibility Verification Process

Although the Auditor's findings indicate conditions requiring management's attention, the conditions do not have a material effect on the financial statements.

Findings of the Auditor:

1. Compute Title IV Refund Calculations Accurately

The Office of Financial Aid did not accurately calculate Title IV refund calculations throughout the 2007-2008 academic year. Financial aid staff used a spreadsheet application to compute the refunds; however, incorrect formulas led to incorrect calculations. In July 2008, the Office of Financial Aid recalculated all Title IV refund calculations for students where a refund to the program would be required. These errors affected 166 student accounts and required the University to refund an additional \$170,494 in aid to the Title IV programs. Financial aid staff sent letters to students affected by the recalculation advising how this changed the balance of their student account.

We recommend that University management continue to implement the Banner automated Title IV refund calculation function for the 2008-2009 academic year. Until the University fully implements the automated calculations, we recommend that supervisors review all Title IV refund calculations. University management should also institute review procedures to determine that staff are calculating refunds accurately and in a timely manner.

VCU Response:

The Office of Financial Aid used a web application available on the federal student aid web site to calculate Title IV refunds for 2007-2008. VCU will implement the automated Title IV refund process in Banner. In the interim, VCU has developed written procedures to ensure accuracy in use of the calculator provided on the federal web site for student financial aid.

2. Identify Unofficial Withdrawals Promptly

The Office of Financial Aid did not promptly identify Title IV students who discontinued attending classes without notifying the Registrar (unofficial withdrawals). To identify unofficial withdrawals, the University is required to promptly investigate those students who receive no passing grades each semester.

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VCU Response:

The Office of Financial Aid has developed a policy to implement this requirement. At the end of each semester, a report will be run to identify students with Title IV aid who received 0.0 term GPAs. A Title IV refund calculation will be prepared at the 50% completion rate to determine if any Title IV funds should be returned.

Students will be notified of the amount being returned to the federal aid programs unless they can provide proof from at least one professor that they were engaged in academic activity past the midpoint of the academic term. Title IV funds will be returned to the appropriate aid programs no later than 45 days after the determination that the student unofficially withdrew from classes.

3. Improve Employment Eligibility and Verification Process

In the prior year audit, we reported that University employees do not properly complete Employment Eligibility Verification (I-9) forms in accordance with guidance issued by US Citizenship and Immigration Services of the US Department of Homeland Security. New employees are required to complete, sign, and date this form on or before the first day of employment. Additionally, the University's designated representative must complete, sign, and date Section 2 of the form within three days of employment.

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VCU Response:

A formal Personnel Administrator Certification training series was developed in 2008 that highlights lawful employment practices and compliance. Additionally, semi-annual training of HR Operations and Generalists on our internal Form I-9 review process is required as both a refresher for current staff and training for new staff. Human Resources staff also implemented a process to randomly audit departments throughout the year and review new hire personnel actions for timeliness and accuracy. Audited departments received error reports and suggestions on how to improve compliance. A full-time HR Compliance Technician has been hired to monitor I-9 and background check completion. In 2009, VCU Human Resources will add hiring compliance information to the Banner access training course, which new PAs must successfully complete prior to gaining access to the Banner and HireRight systems. Current PAs must take the course annually to retain access. This will ensure that PAs are getting initial and ongoing training. VCU also will implement electronic I9 processing and eVerify through our vendor, HireRight. The electronic I9 process prevents some mistakes and provides dated reminders within the required timeframes so that both new employees and PAs respond timely

VIRGINIA COMMONWEALTH UNIVERSITY
Richmond, Virginia

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