



VIRGINIA COLLEGE SAVINGS PLAN

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2013

AUDIT SUMMARY

We have audited the basic financial statements of the Virginia College Savings Plan (Plan) as of and for the year ended June 30, 2013, and issued our report thereon, dated November 14, 2013. Our report, included in the Virginia College Savings Plan's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov.

Our audit of the Virginia College Savings Plan for the year ended June 30, 2013, found:

- the financial statements are presented fairly, in all material respects;
- no internal control findings requiring management's attention;
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards; and
- the Plan implemented adequate compensating controls with respect to the audit finding reported in the prior year, but is still in the process of completing its entire corrective action plan.

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STATUS OF PRIOR YEAR FINDING

Enhance Access Controls

In our last audit, we recommended that the Virginia College Savings Plan (Plan) improve the process by which they review and manage access to their financial and financial-related systems. During our current review of systems access, we noted several improvements. The Plan improved the process by which they regularly review access to their systems to include an evaluation of least privilege access and discontinued access to forms in the Banner system which they deemed to be sensitive in nature. The Plan also began monitoring users who processed and approved distribution requests to identify all instances where proper segregation of duties did not occur.

The Plan has implemented adequate compensating controls with respect to this previously reported finding. However, the Plan is still in the process of implementing their full corrective action plan to resolve this issue. The Plan's financial operations staff is currently working with the information technology department to implement a preventative system control, which will ensure proper segregation of duties is always present in processing distributions.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 14, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board Members
Virginia College Savings Plan

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities (Enterprise Fund) and remaining fund information (Private-Purpose Trust Fund) of the **Virginia College Savings Plan** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and, where applicable, grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Status of Prior Findings

The Virginia College Savings Plan has implemented adequate compensating controls with respect to the previously reported finding “Enhance Access Controls” as discussed in the section entitled “Status of Prior Year Finding.” However, the Plan is still in the process of implementing its full corrective action plan to resolve this issue.

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.

Staci A. Henshaw
DEPUTY AUDITOR OF PUBLIC ACCOUNTS

AVG/alh



COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, North Chesterfield, VA 23236

Mary G. Morris
Chief Executive Officer

(804) 371-0786

November 14, 2013

Staci Henshaw
Deputy Auditor of Public Accounts
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

I appreciate your time and effort dedicated to VA529's system of internal controls during this year's annual audit, specifically your continued observations regarding access to the Banner Finance and College Savings Systems. I concur with the note regarding the prior year finding and recognize that VA529 currently does not entirely rely on system controls for business processes. Sufficient system and manual internal controls are in place to ensure (i) that transactions are properly initiated, approved, recorded and monitored, and (ii) that VA529 assets are safeguarded. Although the controls in place are sufficient to monitor activity and prevent or detect errors in a timely fashion, opportunities remain to improve operational efficiency and better utilize the Banner Finance and College Savings Systems controls and workflows in our business processes and management will continue to identify and implement those controls.

During the past year we have implemented additional controls and reviews to monitor system access. In addition, we have implemented reviews to monitor segregation of duties in processing disbursements. As noted in your report, we are currently programming to implement system controls on disbursement transactions. In the future, management will continue to evaluate additional opportunities to change processes to increase reliance on system controls.

Sincerely,

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

Mary G. Morris

pc: Gary Ometer, CFO
Sherri Wyatt, CCO

VIRGINIA COLLEGE SAVINGS PLAN

North Chesterfield, VA

BOARD MEMBERS

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CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris