

## MEMORANDUM

**TO:**            **Committee Members**                      **Committee Liaisons**  
Sue Zeller, Chair                                      James Brassard, CCV faculty  
David Durfee, Vice-Chair                          Ryan Dulude, CCV staff  
Bob Flint    Jen Jones, VTSU staff  
David Silverman                                        Dennis Reilly, VTSU faculty  
Shawn Tester

**FROM:**        Sharron Scott, Chief Financial & Operating Officer

**RE:**            VSC Board of Trustees Audit & Risk Management Committee Meeting, February 10, 2025

**DATE:**        February 4, 2025

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The VSC Board of Trustees Audit & Risk Management Committee is scheduled to meet on Monday, February 10, 2025, at 11:00 a.m. virtually via Zoom.

In preparation for the committee's discussion, in the accompanying materials please find the committee meeting minutes of October 28, 2024, a draft copy of the proposed FY2025 Internal Audit Plan, and a progress update on Uniform Guidance Single Audit Findings from the FY2024 Single Audit.

Following public comment and approval of the October 28, 2024, the committee will review and approve the proposed internal audit plan and then receive a verbal update on progress related to the Uniform Guidance Single Audit findings and FY24 Internal Audit. Following any additional business, the committee will adjourn.

**Note:** Please be advised that the committee has five members. The quorum to start the meeting and to take any action is three members of the committee.

The board assistant may be reached at (802) 224-3021 for any questions.

**CC:**    Audit & Risk Management Committee Liaisons  
         Council of Presidents  
         Vermont Department of Libraries  
         VSC Board of Trustees

**Vermont State Colleges Board of Trustees  
Audit & Risk Management Committee Meeting  
Zoom Meeting<sup>1</sup>/YouTube Stream<sup>2</sup>  
Monday, February 10, 2025 at 11:00 a.m.**

**AGENDA**

1. Call to Order
2. Public Comment<sup>3</sup>
3. Approval of October 28, 2024, minutes
4. Review & Approval of the *Internal Audit Plan for FY2025: Chart of Accounts Use & Compliance*
5. Review audit progress
  - a. *Uniform Guidance Single Audit Findings for FY2024*
  - b. *FY24 Internal Audit*
6. Other Business
7. Adjourn

**MATERIALS**

1. October 28, 2024, Minutes
2. Internal Audit Plan for FY2025: Chart of Accounts Use & Compliance
3. FY24 Single Audit Findings Update
4. FY24 Internal Audit Update

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<sup>1</sup> <https://www.vsc.edu/botzoom>

<sup>2</sup> [www.vsc.edu/live](https://www.vsc.edu/live)

<sup>3</sup> Public comment sign up - [www.vsc.edu/signup](https://www.vsc.edu/signup). You must be logged in to the live session to make a comment.

# Materials

**ITEM 1:** October 28, 2024 Minutes

**ITEM 2:** FY25 Internal Audit Plan - Chart of Accounts Use & Compliance

**ITEM 3:** FY24 Single Audit Findings

**ITEM 4:** FY24 Internal Audit Update

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**ITEM 1: October 28, 2024 Minutes**

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**Minutes of the VSC Board of Trustees Audit & Risk Management Committee meeting held Monday, October 28, 2024 at 9:30 a.m. at Stearns Performance Space, Vermont State University, Johnson Campus - UNAPPROVED**

*Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.*

The Vermont State Colleges Board of Trustees Audit & Risk Management Committee met on Monday, October 28, 2024 at 9:30 a.m. at Stearns Performance Space, Vermont State University, Johnson Campus.

Committee members present: Sue Zeller (Chair), David Silverman (Vice Chair), David Durfee, Bob Flint

Absent: Shawn Tester

Other Trustees present: Jason Musal, Jim Masland, Lynn Dickinson (9:53 a.m.), Megan Cluver (9:53 a.m.)

Liaisons present: Dennis Reilly, VTSU Faculty  
Ryan Dulude, CCV Staff  
James Brassard (online), CCV Staff

Presidents: Joyce Judy, CCV President

Other attendees: Kayla Dewey, Executive Assistant, VSC  
Chris Evans, Auditor, Withum  
Nicole Mace, CCV Dean of Administration  
Nicole McSweeney, Auditor, Withum  
Jason Kaiser, VTSU Learning Spaces Technology Specialist  
Thomas Kehoe, Student, VTSU Castleton  
Zach LaFlash, Auditor, Withum  
Sharron Scott, VSC Chief Financial/Operating Officer  
Toby Stewart, VSC Controller  
Patty Turley, VSC General Counsel  
Littleton Tyler, VTSU Assistant VP, Finance and Compliance  
Yasmine Ziesler, Special Assistant to the Chancellor (10:11 a.m.)

1. Call to Order

Chair Zeller called the meeting to order at 9:40 a.m.

1. Public Comment

There was no public comment.

2. Approval of May 6, 2024, Meeting Minutes

**Trustee Durfee moved and Trustee Silverman seconded the motion to approve the minutes of May 6, 2024. The motion was approved unanimously.**

3. Review and approval: FY2024 Draft Audited Financial Statements and Uniform Guidance Single Audit and executive session with Auditors

Zach LaFlash, Auditor of Withum, presented the report. The auditors' task was to determine if basic financial statements are free of fraud and misstatement. They will issue an unmodified audit report, which is a clean audit report. LaFlash reviewed the report materials in detail with the committee and responded to Trustee and Liaison questions.

**At 10:40a.m. Chair Zeller moved and Trustee Silverman seconded that the Committee enter executive session, pursuant to 1 V.S.A. § 313(a)(3) to evaluate public officers and their employees consistent with public auditing standards. The Committee invited Auditors Zach LaFlash, Chris Evans and Nicole McSweeney. The motion was approved unanimously.**

The committee exited executive session at 10:50 a.m.

Trustee Silverman made a motion to recommend resolution 2024-005, approval of financial and single audit. Trustee Durfee seconded the motion. Chair Zeller requested additional discussion and none was forthcoming. The resolution was approved unanimously by voice vote.

4. Report to the Audit & Risk Management Committee on Whistleblower Complaints

Patty Turley, General Counsel, provided an overview of the Whistleblower Policy (VSC Policy 211) including procedures and background as well as the role of the Audit Committee Chair. She provided a general summary of reports for the prior academic year and the status of resolutions.

5. FY2024 Internal Audit Update

Sharron Scott, Chief Financial/Operations Officer, provided an update on the FY2024 internal audit on certain payroll activities. While a number of recommendations were outlined in the

packet, progress on some of these recommendations has been delayed as teams work on other priority HR projects.

6. Other Business

There was no other business.

7. Adjourn

Chair Zeller adjourned the meeting at 11:06 a.m.

UNAPPROVED

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**ITEM 2: FY25 Internal Audit Plan - Chart of Accounts Use & Compliance**

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# **Internal Audit Plan**

**Fiscal Year 2024-2025**

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Chart of Accounts Use & Compliance

# 1. GENERAL INFORMATION

## 1.1 Purpose/Objective

The Internal Audit process is designed to evaluate and enhance the effectiveness of risk management, control, and governance processes, as well as to improve an organization's operations. It involves assessing internal processes and controls to ensure that resource use complies with laws, regulations, and policies; that resources are protected against waste, loss, and misuse; and that reliable data is obtained, maintained, and accurately disclosed in reports.

The overall objectives of an internal audit are to determine whether the colleges:

- Managed and used resources in an efficient, effective, and economical manner.
- Administered funds in compliance with applicable laws, regulations, policies and procedures.
- Implemented internal controls to prevent or detect material errors and irregularities.

The specific objective in this audit is to:

- In FY22, the Vermont State Colleges conducted an internal audit of its chart of accounts and compliance with standards. This audit, done ahead of creating the Vermont State University, led to critical recommendations. The current focus is on ensuring VSC's compliance with these recommendations and identifying further adjustments before implementing the new ERP system, Workday.

## 1.2 Scope

The Vermont State Colleges' internal audit group, overseen by the Audit & Risk Management Committee, prepares an internal audit plan, conducts the annual audit, and reports to the Committee. The FY25 audit will assess the College's use of its chart of accounts and compliance with government accounting and higher education standards.

### **Controls Audit**

1. Has the VSC implemented the recommendations outlined in the FY22 Internal Audit on Chart of Accounts & Compliance?
2. Does the VSC Chart of Accounts effectively meet the expense classifications as outlined in the NACUBO Financial Accounting and Reporting Manual (FARM) for public institutions?
3. How does the existing Chart of Accounts comport with the needs of the new ERP solution?
4. Are the VSC members deploying the Chart of Accounts in a way that adheres to both the spirit and the letter of the FARM manual?
5. Is each institution deploying the Chart of Accounts in the same way, allowing for consistent financial reporting across all entities and funds?
6. After reviewing best practices in higher education and implementation standards for Workday what are the recommendations for modification to the existing chart of accounts

## **Best Practices Review**

1. Review the NACUBO Financial Accounting & Reporting Manual (FARM) for modification since FY22
2. Review Workday implementation guidance for chart of accounts and use
3. Review recently implemented and planned government accounting pronouncements for current anticipated compliance

## **1.3 Overview**

The Vermont State College system consists of two higher education institutions, Community College of Vermont and Vermont State University, as well as Shared Services and the Office of the Chancellor. Presently, each institution functions as an individual business unit, with most administrative tasks being performed at each site, except for the following functions:

- Accounts Payable
- General Accounting
- Benefits Administration (hosted by VTSU for the system)
- Human Resources Data Management (hosted by CCV for the system)
- Payroll Administration
- Treasury and Taxation
- Information Technology
- Finance, Investment, and Audit

The implementation of a new ERP system offers an excellent opportunity to review and refine chart of accounts practices. This change can improve the consistency, accuracy, and timeliness of financial transaction recording, as well as enhance the reliability and frequency of management and operational reporting.

The following are examples of employee actions that may cause issues and require post-transaction action or additional review:

- Coding all transactions to the same account number
- Coding transactions to only “open” account numbers
- Inadequate review / coding of purchasing card transactions thus allowing them to flow to the default account
- Failing to split charges across account numbers
- Overly frequent use of “transfer” account numbers
- Budget manager failing to review charges before approving
- Typographical or transposition error

The following are examples of preventive controls should be in place for any expense management system:

- Review and approval of purchasing transactions (including appropriate account number) by budget manager
- Secondary review of journal entries
- Limitation of specific account numbers for certain budgets (i.e. technology accounts only for IT, attorney's fees only by Legal)
- Standardization of account numbers for all departments

Detective controls are retrospective actions to identify questionable transactions. As implied, these controls identify potential issues after the transactions have occurred, but they cannot stop transactions from occurring. However, detective measures can assist in quickly identifying potential issues. Some of the more common detection controls associated with expense management software

- Monthly review of expense transactions by budget managers
- Periodic and spot auditing of budget transactions by accounting personnel for appropriate coding

## 2. AUDIT EVALUATION

### 2.1 Metrics

#### DESIGN MATRIX (PAYROLL AND BENEFITS ADMINISTRATION)

Objectives	Information Required & Sources	Scope and Methodology	Limitations	What this analysis will likely say
What are the objectives this audit is trying to address?	What information is needed to address the objective? From where will the information be received?	How will each objective be addressed?	What are the design limitations and how will it affect the audit?	What are the expected results of the work?
To determine if the Vermont State Colleges has the appropriate policies and procedures involving the creation, use, and consistent application of NACUBO Financial Accounting standards within its Chart of Accounts and the identification of industry best practices for multi-institution, multi-campus systems	Written policy and procedure documentation.  Detailed general ledger  Perceptive Content access (for payables vouchers, journal entries, and purchasing card statements)	Inquiry and review of selected documents in scope to ensure compliance and adequacy of internal controls and compliance with NACUBO FARM standards  The sample will include transactions across all entities and all natural expense classifications. A statistically significant sampling will be used	The sampling method will not allow us to identify every error or potential misclassification  A portion of the audit will use inquiry as our testing method; therefore, we will rely on personnel's responses, which is not the most reliable form of supporting documentation.	The audit will be able to report whether or not the internal controls and policies/procedures are functioning properly as designed.  The VSC will have current written documentation of the existing policies and procedures and will be able to identify and implement best practices to improve accuracy and compliance.
The plan is to review the internal controls involving the VSC Chart of accounts and assess the extent that these controls are proper and working as intended	Interviews and discussions with personnel  Review of sampling of chart of accounts	Necessary documents to support good internal control will be collected  Interviews and walk-throughs with personnel relevant to audit objectives		Recommendations will provide a path forward for improving the overall usefulness of the Chart of Accounts for Financial and Compliance Reporting and will speed the time to "steady state".

### 3. AUDIT PLAN

#### 3.1 Method of Internal Audit

The Internal Audit Team will interview staff. At the Chancellor's Office the team will interview finance and accounts payable staff members. At the institutions, the team will interview the chief business officer, controller and a sampling of budget managers.

The Internal Audit Team will be provided with a detailed (transaction level) general ledger for Fiscal Year 2024 (the most recently completed fiscal year) and access to the supporting data.

The Internal Audit Team will select a statistically significant sample of expense transactions for each institution (relative to the volume of institutional transactions) across all major natural classifications.

The Internal Audit Team will review the expenses against the current chart of accounts for consistency and compliance within an institution and across institutions.

The Internal Audit Team will review the existing chart of accounts against the NACUBO Financial Accounting and Reporting Manual standards.

The Internal Audit Team will review Workday's guidance regarding implementation of the Chart of Accounts.

The Internal Audit Team will provide guidance and written recommendations to management that will assist in the improvement of the use and application of the Chart of Accounts for the Vermont State Colleges.

#### 3.2 Procedures

1. Review written policies and procedures regarding stipends and one-time payments
2. Receive detailed general ledger and access to source documents
3. Select statistically significant sample for each institution and shared services
4. Review sample against existing documentation
5. Research best practices
6. Draft report
7. Present to Audit Committee

### 3.3 Roles and Responsibilities

#### Audit Team (name, role, title, entity)

- Sharron Scott, Chief Financial & Operating Officer
- Toby Stewart, System Controller
- TBD, Audit Staff

#### Audit Resources (role, entity)

- Institutional Controllers & Budget Directors
- Budget Managers, CCV, VTSU, Shared Services
- Workday Implementation Guidance

#### Internal Stakeholders

- Board of Trustees
- Chancellor and Presidents
- Chief Business Officers

### 3.4 Milestones

Activity	Estimated Completion Date
Completion of Audit Plan	February 10, 2025
Completion of Audit Fieldwork / Report to Management	April 22, 2025
Comments back from Management	April 29, 2025
Final Report Issued to Audit Committee	May 5, 2025
Vermont State Colleges Audit Committee Review	May 12, 2025

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**ITEM 3: FY24 Single Audit Findings**

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**Vermont State Colleges  
(a Component Unit of the State of Vermont)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**Section III - Federal Award Findings and Questioned Costs**

**Finding number:** 2024-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number #:** 84.268, 84.063  
**Award year:** 2024

**Criteria**

According to 34 CFR 668.59:

- (a) For the subsidized student financial assistance programs, if an applicant's FAFSA information changes as a result of verification, the applicant or the institution must submit to the Secretary any changes to –
  - (1) A nondollar item; or
  - (2) A single dollar item of \$25 or more.
- (b) For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must –
  - (1) Recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected valid SAR or valid ISIR; and
  - (2)
    - (i) Disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation;
    - (ii) Comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced; or –
    - (iii) Comply with the procedures specified in 34 CFR 690.79 for an overpayment that is not an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced.
- (c) For the subsidized student financial assistance programs, excluding the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, the institution must –
  - (1) Adjust the applicant's financial aid package on the basis of the EFC on the corrected valid SAR or valid ISIR; and
  - (2)
    - (i) Comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the financial aid package must be reduced;
    - (ii) Comply with the procedures specified in 34 CFR 673.5(f) for a Federal Perkins loan or an FSEOG overpayment that is not the result of an interim disbursement if, as a result of verification, the financial aid package must be reduced; and
    - (iii) Comply with the procedures specified in 34 CFR 685.303(e) for Direct Subsidized Loan excess loan proceeds that are not the result of an interim disbursement if, as a result of verification, the financial aid package must be reduced.

**Vermont State Colleges  
(a Component Unit of the State of Vermont)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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***Condition***

The financial aid award process includes consideration of financial and demographic data provided by the student applicant. To evaluate the reliability of this data, a participating institution is required by the Federal Government to select a sample from its student population and verify certain prescribed data. The selected students' files should be revised to incorporate any changes in the supplied data. The College's policy is to verify the information of those students identified by the Federal Government's processor. During our testing, we noted 1 student, out of a sample of 40, that did not complete verification before aid was disbursed.

***Cause***

The Colleges failed to have the proper review procedures in place to ensure students flagged for verification complete verification before aid was disbursed.

***Effect***

The student's EFC was calculated using incorrect data. Since the student's EFC is used to calculate the financial aid award, an incorrect EFC can result in an improper award.

***Questioned Costs***

Not applicable.

***Identification as a Repeat Finding***

Not applicable.

***Recommendation***

The Colleges should continue to strengthen their controls surrounding verification. The Colleges should implement policies that require all student ISIR's subject to verification be reviewed once the verification process is complete. The reviewer should be well-versed in the verification process and requirements. Once reviewed, all verified ISIR's should be re-submitted to the Federal Government's processor for recalculation of the applicant's EFC prior to awarding aid.

***View of Responsible Officials***

The Colleges agrees with the finding.

**February 2025 Update:**

VTSU is no longer marking "Not Verifying" so that we do not mark a student that we would miss if their status changes. This was a result of the merge and bringing staff from 4 institutions together and creating policies and procedures for all staff to use consistently.

**Vermont State Colleges  
(a Component Unit of the State of Vermont)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**Finding number:** 2024-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number #:** 84.268, 84.063  
**Award year:** 2024

**Criteria**

According to 34 CFR 685.309(b)(2):

Unless the Colleges expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –

- (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education (“ED”) on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement:

Under the Pell Grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System (“NSLDS”). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

**Condition**

The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within 60 days.

During our testing, we noted 1 student, out of a sample of 40, that were not reported to NSLDS.

During our testing, we noted that three of the Colleges merged into one entity during year ending June 30, 2024. We observed the records and noted 18 students out of 3,789 students did not have their NSLDS status properly transferred to the new institution.

**Cause**

The Colleges did not have adequate procedures in place to ensure that status changes were properly reported to NSLDS. The College did not have procedures in place to ensure student statuses were properly transferred during the merger of three of the Colleges.

**Vermont State Colleges  
(a Component Unit of the State of Vermont)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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***Effect***

The Colleges did not report the student's correct status change to NSLDS, which may impact the student's loan grace periods and enrollment reporting statistics collected by the Department of Education.

***Questioned Costs***

Not applicable.

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 1 student, or 2.5% of our sample, were not reported to NSLDS. Of the 3,789 students merged into one institution, 18 students, or 0.5% of merged students, were not reported to NSLDS.

***Identification as a Repeat Finding, if applicable***

Not applicable.

***Recommendation***

The Colleges should provide training to employees responsible for processing information for the NSLDS and ensure that they have adequate knowledge in the related rules and regulations. This training should include an explanation of the status changes, the importance of reporting the correct status changes and the consequences of incorrect reporting. Additionally, the Colleges should implement reconciliation procedures between enrollment records and NSLDS to ensure that information is properly maintained.

***View of Responsible Officials***

The Colleges agrees with the finding.

**February 2025 Update:**

VTSU Registrar is monitoring the enrollment status of those students who re-enrolled after taking a leave of absence or have not been enrolled at VTSU since the merger are identified and updated in the Clearinghouse/ NSLDS as needed.

**Vermont State Colleges  
(a Component Unit of the State of Vermont)  
Management's Corrective Action Plan  
Year Ended June 30, 2024**

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**Finding number:** 2024-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number #:** 84.268  
**Award year:** 2024

***Corrective Action Plan:***

**VTSU**

VTSU is setting standard procedures for the merged financial aid department, so all personnel are following a standard procedure. In the future, VTSU will not be marking students or using the code for "not verifying" for students who do not enroll. Posting rules are in place that will not allow aid to post to a student's account if verification is incomplete.

***Timeline for Implementation of Corrective Action Plan:***

Immediately.

***Contact Person***

Sharron Scott, CFO

**Finding number:** 2024-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number #:** 84.268, 84.063  
**Award year:** 2024

***Corrective Action Plan:***

**VTSU**

This was an isolated instance and attributed to the merger of three institutions into one institution effective July 1, 2023. The registrar is monitoring the re-enrollment of students that have taken a leave of absences or have not enrolled in VTSU since the merger to identify additional errors and will take appropriate action to correct them as they occur.

***Timeline for Implementation of Corrective Action Plan:***

Immediately.

***Contact Person***

Sharron Scott, CFO

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**ITEM 4:** FY24 Internal Audit Update

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# FY24 Internal Audit Progress Update:

## Recommendations

- 1) Recommend developing consistent definitions and eligibility criteria for stipends and one-time payments, to be applied uniformly across all institutions. Review existing earnings and reason codes to clarify which are used for which purpose; establish new earnings codes, where appropriate. Where possible, align usage of reason and earnings codes amongst institutions and document for procedural consistency. Ensure the impact of reason and earnings code selection is accurately and consistently documented in the general ledger.

### Management Response to Recommendation #1:

For the past several months, a Human Resources working group made up of representatives from the Community College of Vermont, the Vermont State University, and the Office of the Chancellor have been meeting to develop consistent definitions, eligibility criteria, and reason codes for stipends and one-time payments for use across all institutions. Draft definitions, categories, and assignment reasons are attached (Exhibit 1). The group will continue their work refining specific reason codes and will tie these reason codes to earnings codes over the summer.

10/10/2024 – No further update. Staffing changes and competing data priorities have impeded further progress with mapping additional pay definitions to earnings codes. We have identified a priority need to apply a broader corrective lens to our HR data, including employment types.

February 2025 - We have continued work to refine our definitions and eligibility criteria for stipends and one-time payments.

- 2) Develop decision criteria for paying an employee beyond their base pay. Such criteria should consider their bargaining unit, FLSA status, etc. Develop record retention procedures for stipend and one-time payments, including such decision criteria, that is readily available, even if turnover occurs.

### Management Response to Recommendation #2:

We agree. The group considers it critical that we develop training and guidance documents around stipend and one-time payments, not only for the approvers but for the initiators. The VSCS has payments that are negotiated terms within the collective bargaining agreement(s) as well as ad hoc payments for assigned additional work that is beyond the scope of an employee's primary responsibilities. By contextualizing the payment, i.e., what the payment is for, who the payment is for, what the person's employment relationship is with the institution, who is responsible for the budget that the payment is being charged to, we provide clarity not only for the specific payment but

collect data that can be analyzed later. A copy of our decision tree and information flow is attached (Exhibit 2).

10/10/2024 – No further update.

February 2025 - We have found and are correcting errors in pay groups as well as employment types and Fair Labor Standards Act (FLSA) status. In two weeks, we will be providing training to Human Resources generalists and managers regarding FLSA obligations. Supervisory training will follow. Identifying and correcting existing data inconsistencies and preventing the input of faulty data in the future are critical components to the VSC effecting appropriate payments and will better prepare us for making the transition to the new ERP.

- 3) Recommend defining and documenting, where possible, roles and responsibilities in the process from origin of request to Payroll; particularly, consider documenting the universal roles of institutional human resources, shared services human resources and payroll.

Management Response to Recommendations #3, #5, and #6:

The Human Resources working group mapped the existing roles and process for making an extra payment from the CCV initiator through to Payroll. CCV has also created a new electronic form to replace our manual spreadsheet, which we intend to launch as a pilot before the end of the fiscal year. Ultimately, we expect to work with a computer programmer to further automate the process and connect our siloed systems. (Exhibit 3)

It is our intention that the new electronic form and automated process will eventually address extra payment requests for all VSCS employees.

10/10/2024 – This electronic form launched successfully for additional payments initiated by CCV.

February 2025 - No further update.

- 4) Recommend developing a strategy to implement changes in the independent contractor determination process from the IRS. One-time payees may not be employees and can potentially save some time and tax liability if coded as independent contractors. Where possible, document process and procedure updates.

Management Response to Recommendation #4:

Guidelines for managers to assist with determining whether the work being performed by an individual may be considered “independent contractor” and a process for reviewing these determinations are yet to be developed. This work will need to be taken up as a group project with Human Resources, Finance, and General Counsel.



10/10/2024 – No further update. Staffing changes and competing data priorities have impeded further progress with mapping additional pay definitions to earnings codes. We have identified a priority need to apply a broader corrective lens to our HR data, including employment types.

February 2025 – Reference update to #2 above

- 5) Require consistent usage of accounts payable payment request form, specifically for non-employees who performed services, and offer training for those responsible for submitting such requests. Where possible, document process and procedure updates.

Management Response to Recommendations #3, #5, and #6:

See above.

10/10/2024 – No further update.

February 2025 - Reference update to #2 above

- 6) At VTSU, explore and document the role of Human Resources in faculty one-time and non-assignment contract stipend payments and grant payments. This would create control within the institutions processes and create consistency with the other institutions and enable implementation of the other recommendations.

Management Response to Recommendations #3, #5, and #6:

See above.

10/10/2024 – No further update.

February 2025 - Reference update to #1 above

- 7) Recommend Shared Services Human Resources explore utilizing a request form to consistently document stipends and/or one-time payments of those personnel, as well as approval signatures.

Management Response to Recommendation #7:

With the realignment of responsibilities of Shared Services Human Resources to the institutions, CCV's request form will be amended for use by OC/Shared Services staff.

10/10/2024 – There have not been any additional pay requests for OC/Shared Services staff since July 1. If and when these requests are made, they will be processed using the electronic form.

February 2025 – We expect the new ERP (Workday) will eventually supplant our mechanical processes for initiating extra payments.

