



# GEORGE MASON UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

We have audited the basic financial statements of George Mason University (George Mason) as of and for the year ended June 30, 2014, and issued our report thereon, dated May 6, 2015. Our report, included in George Mason's Annual Report, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at George Mason's website at [www.gmu.edu](http://www.gmu.edu).

Our audit of George Mason for the year ended June 30, 2014, 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
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Document myVRS Navigator Reconciliation to Support Virginia Retirement System (VRS) Snapshot Confirmation**

George Mason does not have consistent documentation that it investigated and resolved all reconciling items between their payroll system and myVRS Navigator. While George Mason tracks the differences between myVRS Navigator and its payroll system, George Mason does not apply a consistent method for documenting that all issues were resolved. George Mason relies on emails and phone calls between its Benefits Department and VRS to handle the issues before it completes its VRS Snapshot Confirmation; however, George Mason does not have a standard for creating and retaining supporting documentation. By not maintaining this documentation, we were unable to verify that George Mason properly completed the reconciliation process.

Researching reconciling items and adjusting myVRS Navigator, when necessary, ensures the accuracy of the retirement benefits an employee is entitled to and the financial position of George Mason. Additionally, appropriately addressing reconciling items reduces the risk of inaccurate amounts, which may go unnoticed if reconciling items are allowed to accumulate on reconciliations. Also, beginning in fiscal year 2015, a pension liability will be included in George Mason's financial statements. Actuaries rely on the data from the myVRS Navigator to make projections regarding the pension liability that are based on assumptions regarding life span, gender, years of work experience, estimated future years of service, job title, salary, and age. These attributes will be used to determine the amount of the pension liability reported in George Mason's financial statements.

We recommend that George Mason develop standard procedures for investigating, resolving, and documenting all reconciling items that are discovered during the reconciliation process between VRS and George Mason. These procedures, at a minimum, should include the following:

- Nature of the reconciling item
- Planned procedure to resolve the reconciling item
- Employee who will be responsible for investigating the reconciling item
- Resolution of the reconciling item
- Approval of the resolution by upper management in the Payroll Department
- Whether or not the reconciling item will continue to be a reconciling item for future months

Having a formalized reconciliation process will enable management to ensure that all differences have been resolved and reduce the risk of errors going undetected.

### **Improve Policies and Processes for Granting and Restricting Elevated Workstation Privileges**

George Mason does not have an adequate policy, procedure, or process for managing and restricting unnecessary and elevated workstation permissions. George Mason's adopted

information security standard, ISO/IEC 27002:2005, Section 11.2.2, requires that the allocation and use of privileges should be restricted and controlled.

Not having a formal process for granting and restricting elevated workstation privileges increases the risk of an end user unintentionally downloading and installing malware on their computer. Once installed, this malware may propagate throughout George Mason's internal computers and can make them unavailable. Certain malware is designed to collect any information processed on the infected computer and send it to a server outside the organization, and thereby making the confidential data available to unauthorized entities.

We have communicated the details of this finding to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

While George Mason is running a mature information security program, this finding weakens the layered information security controls protecting confidential and mission critical data. We recommend George Mason implement the controls discussed in our recommendation and incorporate them into their information security program.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

May 6, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
George Mason University

## 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 and aggregate discretely presented component units of **George Mason University** (George Mason) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise George Mason's basic financial statements and have issued our report thereon dated May 6, 2015. 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 George Mason, 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 of the financial statements, we considered George Mason'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 George Mason's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of George Mason'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 entitled "Document myVRS Navigator Reconciliation to Support Virginia Retirement System (VRS) Snapshot Confirmation" and "Improve Policies and Processes for Granting and Restricting Elevated Workstation Privileges," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether George Mason'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 "Internal Control and Compliance Findings and Recommendations," in the finding entitled "Improve Policies and Processes for Granting and Restricting Elevated Workstation Privileges."

### **George Mason's Response to Findings**

We discussed this report with management at an exit conference held on May 1, 2015. George Mason's response to the findings identified in our audit is described in the accompanying section titled "University Response." George Mason'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.

### **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

GDS/clj

May 20, 2015

Martha S. Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2014 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

George Mason University acknowledges and concurs with the audit findings. The following contains the APA findings and management's responses to the concerns and issues raised.

**APA Finding- Document myVRS Navigator Reconciliation to Support Virginia Retirement System (VRS) Snapshot Confirmation**

George Mason does not have consistent documentation that it investigated and resolved all reconciling items between their payroll system and myVRS Navigator. While George Mason tracks the differences between myVRS Navigator and its payroll system, George Mason does not apply a consistent method for documenting that all issues were resolved. George Mason relies on emails and phone calls between its Benefits Department and VRS to handle the issues before it completes its VRS Snapshot Confirmation; however, George Mason does not have a standard for creating and retaining supporting documentation. By not maintaining this documentation, we were unable to verify that George Mason properly completed the reconciliation process.

Researching reconciling items and adjusting myVRS Navigator, when necessary, ensures the accuracy of the retirement benefits an employee is entitled to and the financial position of George Mason. Additionally, appropriately addressing reconciling items reduces the risk of inaccurate amounts, which may go unnoticed if reconciling items are allowed to accumulate on reconciliations. Also, beginning in fiscal year 2015, pension liability will be included in George Mason's financial statements. Actuaries rely on the data from the myVRS Navigator to make projections regarding the pension liability that are based on assumptions regarding life span, gender, years of work experience, estimated future years of service, job title, salary, and age. These attributes will be used to determine the amount of the pension liability reported in George Mason's financial statements.

We recommend that George Mason develop standard procedures for investigating, resolving, and documenting all reconciling items that are discovered during the reconciliation process between VRS and George Mason. These procedures, at a minimum, should include:

- Nature of the reconciling item
- Planned procedure to resolve the reconciling item
- Employee who will be responsible for investigating the reconciling item
- The resolution of the reconciling item
- Approval of the resolution by upper management in the Payroll Department
- Whether or not the reconciling item will continue to be a reconciling item for future

Having a formalized reconciliation process will enable management to ensure that all differences have been resolved and reduce the risk of errors going undetected.

### **Management's Response**

George Mason University's goal is to ensure accurate data in the system, payment of correct retirement benefits, and proper calculation of the pension liability.

During the development and implementation of the reconciliation process for the VRS accounts, Mason's focus has been on identifying the reconciling items and placing resolution priority on items of:

- 1- Significant differences and
- 2- Continually occurring differences.

Mason has begun to develop documentation and strengthen resolution and review procedures as we have gained a better understanding of how the VRS Navigator application interprets employee data and demographics, and performs billing calculations.

Mason will implement your recommendations as part of our ongoing improvement process. This will include:

1. Nature of the reconciling item and identification of the root cause
2. Planned procedure to resolve the reconciling item, documentation of follow-up steps, and increased effort to ensure resolution of items identified as requiring input from VRS

3. Employee (University and/or VRS as applicable) who will be responsible for investigating the reconciling item, and improved escalation process for items that remain outstanding
4. Whether or not the reconciling item will continue to be a reconciling item for future months
5. The resolution of the reconciling item
6. Approval of the resolution by upper management in the Payroll Department

**APA Finding: Improve Policies and Processes for Granting and Restricting Elevated Workstation Privileges**

George Mason does not have an adequate policy, procedure, or process for managing and restricting unnecessary and elevated workstation permissions. Not having a formal process for granting and restricting elevated workstation privileges increases the risk of an end user unintentionally downloading and installing malware on their computer. Once installed, this malware may propagate throughout George Mason's internal computers and can make them unavailable. Certain malware is designed to collect any information processed on the infected computer and send it to a server outside the organization, and thereby making the confidential data available to unauthorized entities.

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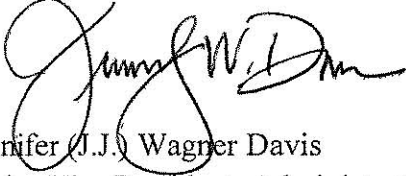
**Management's Response:**

The IT Security Office (ITSO) will maintain the centrally managed security programs, such as updated antivirus protection, local fire walls, intrusion protection and file reputation checking software, that will provide substantial protection from the risk identified. While these controls are centrally enforced and mitigate some of the risks associated with the finding, the ITSO will develop and implement relevant policies and procedures to address the issues of the

Ms. Martha S. Mavredes, CPA  
May 20, 2015  
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finding, including authorization, auditable records, acknowledgement of responsibilities, and training. These policies and procedures will be based on best practices at other universities. Until policies are in place, ITSO will work with certain departments to address specific risks and directly implement changes that will mitigate the risks in the finding.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer (J.J.) Wagner Davis". The signature is fluid and cursive, with the first name "Jennifer" being the most prominent part.

Jennifer (J.J.) Wagner Davis  
Senior Vice President, Administration and Finance

## **GEORGE MASON UNIVERSITY**

Fairfax, Virginia  
As of June 30, 2014

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