

**THE COLLEGE OF WILLIAM AND MARY
IN VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2011**



AUDIT SUMMARY

Our audit of the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College, for the year ended June 30, 2011, found:

- the financial statements are presented fairly, in all material respects
- certain matters involving internal control findings requiring management's attention; however, we do not consider them to be material weaknesses
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards

We have audited the basic financial statements of the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College, as of and for the year ended June 30, 2011, and issued our report thereon, dated August 3, 2012. Our report, included in the College's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the College's website at <http://www.wm.edu/>.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Controls in the Property Control Office

The last inventory the College's Property Control Office (PCO) conducted was during fiscal year 2010; however, PCO did not complete a reconciliation of the results of that inventory to compare the Banner capital asset system with the general ledger system and make the appropriate corrections to the capital asset inventory. PCO has not conducted a follow-up inventory or as the College's Fixed Asset Procedures Manual requires "conduct a perpetual inventory, rotating departments to ensure all departments are reviewed over the course of each two-year period." Also required by the manual is the timely reconciliation of the results of the physical inventory with the accounting records.

We recommend that the PCO complete a capital asset physical inventory, as required, and make all necessary corrections to the accounting system. As the College moves forward, the PCO must make the inventory of capital assets a priority and ensure the prompt reconciliation of the results and posting of corrections to the accounting system.

Improve Banner User Access Review

The College of William and Mary and Richard Bland College (the Colleges) do not perform detailed user access reviews for the Banner system at least annually. Our limited review of Banner access identified individuals with access indicating inadequate separation of duties.

The Colleges established Banner access when they began using the system in 2004 and, although there was a detailed review of access in 2010, it is important to periodically perform a thorough review of users' classes and screens. User access accounts should be reviewed for separation of duties and least access privilege issues. As the Colleges review user access, they should identify unnecessary screens and forms and delete them from the users' accounts.

We recommend the College of William and Mary and Richard Bland College each perform a detailed comprehensive review of their user's classes and the screens in those classes to ensure they meet business needs, and eliminate access that creates inadequate separation of duties. The Colleges should ensure that access review policies require managers to receive access reports with the information they need for evaluating an individuals' access. The Colleges might also consider tying access to specific Employee Work Profiles. This will help ensure users have appropriate access to perform their job duties and provide the information system officer some ability to evaluate the appropriateness of access requests made by managers. These recommendations should enhance access administration and make sure the Colleges follow best practices for access management.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 3, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
The College of William and Mary in Virginia

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 aggregate discretely presented component units of **the College of William and Mary in Virginia**, including the Virginia Institute of Marine Science and Richard Bland College, (the College) as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated August 3, 2012. Our report includes 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 College, 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

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College'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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College'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.

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 deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting entitled “Improve Controls in the Property Control Office” and “Improve Banner User Access Review,” which are described in the section titled “Internal Control Findings and Recommendations,” that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College’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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The College’s response to the findings identified in our audit is included in the section titled “Agency Response.” We did not audit the College’s response and, accordingly, we express no opinion on it.

Status of Prior Findings

The College has taken adequate corrective action with respect to audit findings reported in the prior year.

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 August 24, 2012.

AUDITOR OF PUBLIC ACCOUNTS

LJH:alh

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THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

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September 5, 2012

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

Dear Mr. Kucharski:

Please find below the College of William and Mary's management plan for corrective action to address the internal control findings and recommendations included in the FY 2011 audit conducted by your agency.

1. Improve Controls in the Property Control Office

Management concurs with the finding regarding the need for a physical inventory, the reconciliation of the physical inventory with the accounting records and the need for a perpetual inventory system.

The Department of Procurement Services, which is responsible for fixed assets management, operated without a Director and two Associate Directors for most of FY 2012. A new Director arrived October 31, 2011 and one Associate Director arrived in March 2012. The previous Fixed Asset Manager, tasked with implementing the perpetual inventory, left the College of William and Mary in January 2012.

With the departure of the previous Fixed Asset Manager, the fixed asset function was reconfigured to deliver more accurate and timely results. A campus wide physical inventory of assets utilizing integrated electronic scanning technology commenced in April 2012. The physical inventory will be completed by October 1, 2012.

Scheduled to start September 10, 2012, the primary initial responsibility of the incoming Associate Director-Procurement and Fixed Assets Management will be to reconcile the physical inventory to the accounting records. Once that is completed, the next priority is to continue development of the physical perpetual inventory system and the necessary integration with the College's accounting system.

Responsible Person: Greg Johnson, Director of Procurement Services

Estimated Completion Dates:

- Physical inventory October 1, 2012.
- Reconciliation with accounting records January 1, 2013.
- Full implementation of perpetual inventory July 1, 2013

2. Improve Banner User Access Review

College of William and Mary

The College does have a policy requiring an annual audit each year of Banner access for employees of the College. However, the College agrees that the process has not been effectively or consistently implemented and will respond to APA's recommendation to develop stronger policies requiring management review of Banner access reports on an annual basis.

Responsible Person: Peter Kellogg, Director Information Security and Project Management

Estimated Completion Dates:

- August, 2012: Completed an immediate review in response to the audit
- Thereafter, management will conduct an annual review each summer.

Richard Bland College

Management agrees with the auditor's recommendation. Richard Bland College will perform annual reviews of user classes and forms to meet the business needs of the College. User access will be reviewed to ensure that proper separation of duties is achieved.

Responsible Persons:

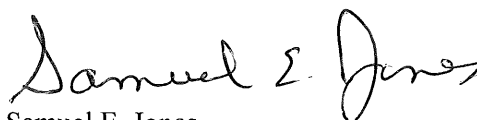
Dorothy Edwards, Director of Information Technology
Nate Jellerson, Interim Director of Property Management

Corrective Action Completion Dates:

- November 15, 2012: Complete immediate review in response to the audit
- Annual reviews will be completed.

Please contact me if you have any questions regarding the College's action plan.

Sincerely,



Samuel E. Jones
Vice President for Finance

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

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