



# UNIVERSITY OF MARY WASHINGTON

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

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 the University of Mary Washington as of and for the year ended June 30, 2017, and issued our report thereon, dated April 2, 2018. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the University's website at [www.umw.edu](http://www.umw.edu). Our audit 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
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing.

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## STATUS OF PRIOR YEAR AUDIT FINDINGS

### **Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes, with significant progress in this area

The University of Mary Washington (Mary Washington) is making progress to address an information security weakness communicated in our prior year audit report regarding assigning, restricting, and tracking elevated workstation privileges. Since the completion of last year's audit, Mary Washington uses its formal policy to grant and restrict workstation privileges and review and evaluate software. The University plans to complete the remaining work by the end of calendar year 2018. The fiscal year 2018 audit will include an evaluation of Mary Washington's completed corrective action and determine whether the corrective action properly resolved the weakness.

### **Improve Controls over Financial System Access**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes, with limited progress in this area

Mary Washington has not restricted access to critical application processes based on the principle of least privilege. Eleven users had unnecessary access to Mary Washington's accounting and financial reporting system including the ability to access and make changes to data, specifically, direct deposit and banking information. These users include employees in both Human Resources and the Financial Aid Office. As these are critical financial forms, access for these forms should be restricted to employees responsible for the corresponding finance office functions. The system access class used for Financial Aid employees includes access to these forms, which were assigned to the Financial Aid class during Mary Washington's initial implementation of the system.

The Commonwealth's Information Security Standard, SEC 501 (Security Standard), requires that access rights be granted only to users with documented job responsibilities that require those rights (*Security Standard Section: AC-6 Least Privilege*). Additionally, Mary Washington's policy requires a review of system access twice a year to validate accounts, roles, and privileges of end users. The policy requires the Applications Database Administrator to contact all data stewards requesting that they agree their system access records to database records and that they make any necessary changes to ensure that system access is appropriate. Sufficiently performing the required semi-annual access review and ensuring that all department data stewards have completed their reconciliation provides assurance that access is appropriate for users based on their current job responsibilities. Improper access to these forms could lead to improper or unauthorized changes to student financial information and could compromise sensitive information.

While it appears Mary Washington removed unnecessary access for certain classes identified in the prior year audit, it has not completed a review to remove unnecessary access from other

classes. Therefore, management should complete a review of all system classes to ensure each class grants access to only necessary forms and processes. In addition, the semi-annual review process should include controls to ensure that all departments complete the review of user access to the application and determine if access to forms and processes is in accordance with the principle of least privilege.

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Conduct Information Technology Security Audits on Sensitive Systems**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Mary Washington is not performing timely information technology (IT) security audits on its sensitive IT systems in accordance with the Commonwealth's IT Security Audit Standard, SEC 502 (IT Audit Standard). The Commonwealth's Security Standard requires IT security audits for sensitive systems in accordance with the IT Audit Standard. Mary Washington's Internal Audit department conducts partial reviews over its accounting and financial reporting system annually, and conducts limited-scope IT audits over other sensitive systems based on risk. However, Mary Washington does not conduct a comprehensive IT security audit on each sensitive system at least once every three years that assesses whether IT security controls implemented to mitigate risks are adequate and effective.

The Security Standard, Section 7, requires that each IT system classified as sensitive undergo an IT security audit as required by and in accordance with the current version of the IT Audit Standard. The IT Audit Standard, Section 1.4, requires that IT systems containing sensitive data, or reside in a system with a sensitivity of high on any of the criteria of confidentiality, integrity, or availability, shall receive an IT security audit at least once every three years. Additionally, the IT Audit Standard, Section 2.2, requires that the IT Security Auditor shall use criteria that, at a minimum, assess the effectiveness of the system controls and measures compliance with the applicable requirements of the Security Standard.

Without conducting full IT security audits that cover all applicable Security Standard requirements for each sensitive system, Mary Washington increases the risk that IT staff will not detect and mitigate existing weaknesses in sensitive systems, which could lead to malicious parties compromising sensitive and confidential data and mission critical systems being unavailable.

Mary Washington information security staff believed that the current process, where Internal Audit performs limited-scope IT audits for the accounting and financial reporting system and other select sensitive systems, was adequate to meet the Security Standard's requirements for IT audits. Further, staff were unaware that compliance with the Security Standard includes compliance with any related information security standards, including the IT Audit Standard. As a result, Mary Washington did not establish a process to ensure that each sensitive system receives an IT security audit at least once every three years.

Management should evaluate potential options and develop a formal process for conducting IT audits over each sensitive system at least once every three years that tests the effectiveness and compliance with Security Standard requirements. Compliance with the IT Audit Standard will help to ensure the confidentiality, integrity, and availability of sensitive and mission critical data.

### **Improve Enrollment Reporting Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Mary Washington's Registrar's Office (Registrar) did not accurately report student enrollment changes to the National Student Loan Data System (NSLDS) in accordance with the Higher Education Act of 1965 (HEA) and the NSLDS Enrollment Reporting Guide. The Registrar's Office did not report the correct enrollment status for six of 30 students reviewed (20 percent). Additionally, the Registrar's Office reported the incorrect enrollment status effective date for six of 30 students reviewed (20 percent). Finally, the Registrar's Office did not report the enrollment status within the required timeframe for four of 30 students reviewed (13.3 percent).

Regulations outlined in 34 CFR §674.19, §685.309 and §690.83, and related guidance requires schools to confirm and report the enrollment status of students who receive Title IV federal student aid. NSLDS Enrollment Reporting Guide Section 7.2.1(2), requires schools to match the Enrollment Reporting Roster file received from NSLDS to student records maintained at the school and update the Enrollment Reporting roster file with any changes to each student's enrollment status, status effective date, or anticipated completion date fields, and to return the submittal file within 15 days with an appropriate certification date to NSLDS. In the majority of cases, the Registrar's Office stated that where the NSLDS enrollment status did not match student academic record enrollment status, it was indicative of multiple abrupt changes in student status or changes to student status immediately following the most recent receipt and update of the Enrollment Reporting roster file.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the Department of Education's payment of interest subsidies to Federal Direct Loan (FDL) program loan holders. Reporting the correct status of graduated students is critical to the protection of the student's interest subsidy and initiation of repayment statuses. Schools must review, update, and verify student enrollment statuses, effective dates of the enrollment status, and anticipated completion dates in order to ensure the accuracy of the student loan records maintained by the NSLDS.

To ensure compliance with the Code of Federal Regulations and the NSLDS Enrollment Reporting Guide, the Registrar should submit final enrollment reporting after Financial Aid determines the applicable student status and effective date. Additionally, while the Registrar has in place a process to report through the National Student Clearinghouse (Clearinghouse), the Registrar and Financial Aid should consider developing a process for identifying and correctly reporting unusual circumstances. Finally, the Registrar and Financial Aid should perform due diligence to ensure that student data submitted through the Clearinghouse is being reported accurately and in a timely manner to NSLDS.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

April 2, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
University of Mary Washington

## 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 discretely presented component unit of the **University of Mary Washington** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 2, 2018. Our report includes a reference to another auditor. 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 unit of the University, which was audited by another auditor 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 the University'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 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 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. We did identify certain deficiencies in internal control over financial reporting entitled "Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges," "Improve Controls over Financial System Access," "Conduct Information Technology Security Audits on Sensitive Systems," and "Improve Enrollment Reporting Process," which are described in the sections titled "Status of Prior Year Audit Findings" and "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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Status of Prior Year Audit Findings" in the findings entitled "Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges" and "Improve Controls over Financial System Access," and in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Conduct Information Technology Security Audits on Sensitive Systems," and "Improve Enrollment Reporting Process."

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on April 3, 2018. The University's response to the findings identified in our audit is described in the accompanying section



titled “University Response.” The University’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.

### **Status of Prior Findings**

The University has not taken adequate corrective action with respect to the previously reported findings “Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges” and “Improve Controls over Financial System Access.” Accordingly, we included these findings in the section entitled “Status of Prior Year Audit Findings.” The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

### **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

EMS/clj

April 3, 2018

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

Subject: Management response to the Audit Recommendations for Fiscal Year 2017

Dear Ms. Mavredes,

I am pleased to send you University of Mary Washington's response to the internal control findings and recommendations identified during the audit of the fiscal year ended June 30, 2017. Management's responses are as follows.

**Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges**

Management concurs with the finding. A plan is in place to complete implementation of the recommended control by December 31, 2018.

**Improve Controls over Financial System Access**

Management concurs with the finding. Each department's Data Security Contact will continue to perform detailed and complete semi-annual reviews of Banner forms, classes, and users assigned. Steps are being taken by UMW Information Technology and departmental Data Security Contacts to determine accurate single ownership of each form, and to allow access based on the principle of least privilege. In addition, Internal Audit will perform an annual review of the semi-annual Banner access review. The University expects completion of this review by December 31, 2018.

**Conduct Information Technology Security Audits on Sensitive Systems**

Management concurs with this finding and will evaluate options for adopting and implementing Virginia Information Technology Agency's IT Security Audit Standard. Management will have an action plan no later than June 30, 2018.

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**Improve Enrollment Reporting Process**

Management concurs with this finding. Effective, March 2018, the Office of the Registrar implemented a process to identify unusual circumstances and submit changes to the National Student Clearinghouse within five days of notification. From the transmission between our third party servicer and National Student Loan Data System, the students' enrollment status will be updated appropriately. The Office of Financial Aid will review and adjust Title IV aid accordingly.

If you have any questions or need additional information, please do not hesitate to contact me by phone at (540) 654-1455 or by email at [lrichar2@umw.edu](mailto:lrichar2@umw.edu)

Sincerely,

Lynne Richardson  
Vice President for Administration and Finance

## UNIVERSITY OF MARY WASHINGTON

As of June 30, 2017

### BOARD OF VISITORS

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### ADMINISTRATIVE OFFICERS

As of April 2, 2018

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