



GEORGE MASON UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2024

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of George Mason University (University) as of and for the year ended June 30, 2024, and issued our report thereon, dated October 3, 2025. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.gmu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- one comment for management's consideration regarding an issue that came to our attention during the audit;
- two internal control findings requiring management's attention; however, we do not consider them to be material weaknesses;
- three matters involving internal control and its operation necessary to bring to management's attention that also represent instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to the prior audit finding identified as complete in the [Findings Summary](#) included in the Appendix.

Our audit included testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit, as described in the U.S. Office of Management and Budget [Compliance Supplement](#).

In the section titled "Internal Control and Compliance Findings and Recommendations" we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendation.

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COMMENT TO MANAGEMENT

A Comment to Management is an issue that came to our attention during the audit for management's consideration.

Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas

During fiscal year 2024, a subcontractor (Company) performed services related to a federally sponsored program involving classified information (classified program) for which George Mason University (University) is the primary contractor. From fiscal year 2020 through 2024, the University paid the Company approximately \$42 million in federally sponsored funds through a non-competitively procured contract for services provided under the contract and continued services under new awards throughout fiscal year 2025. Over the periods of performance, the Company's financial statements consistently reported poor financial health and substantial doubt about its ability to continue to operate and meet its financial obligations in the foreseeable future, resulting in a high-risk designation by University staff for the first time in fiscal year 2025. During a lapse in federal funding, the University separately procured similar services from the Company using University funds and did not ensure financial accountability over internally generated software or physical equipment developed by the Company, as we have communicated in separate findings below titled *Improve Controls Over Internally Generated Software* and *Improve Interdepartmental Communication and Accountability*.

In response to the high-risk nature of the Company as the University's subcontractor and the materiality of the awards, we requested support for deliverables under the contract, such as Statements of Work (SOW) and financial statements of the Company. Initially, the University and federal sponsor communicated that SOWs represent Controlled Unclassified Information (CUI) and would be accessible for audit. In response to audit requests for this information, the federal sponsor reversed its position, which resulted in the University restricting our access to the information. Additionally, the University executed a nondisclosure agreement (NDA) with the Company in 2020. University staff initially interpreted the NDA not to limit distribution of the Company's fiscal year 2022 and 2023 financial statements to the audit team. However, in response to requests for its fiscal year 2024 financial statements, the Company communicated to the University that such information was proprietary under the NDA which resulted in the University restricting audit access to the Company's financial information in conflict with the legal requirement of § 30-135 of the Code of Virginia that the external auditor have access to all information necessary to perform audits of state agencies and institutions.

Conflicting messages from University staff and the federal sponsor regarding these audit requests illustrated confusion about the appropriate designation of classification levels for contract information, hindering the University's ability to provide timely and sufficient access to CUI for the external auditor. At the direction of its federal sponsor and the Company, the University restricted access to these relevant records that are material to the financial statements, which compelled us to rely on alternative procedures and significantly delayed the audit. Restricting access to information needed to complete the audit put the University at risk of receiving a modification to its audit opinion, which could result in financial harm to the University.

Classified programs require heightened awareness and procedures to prevent unauthorized disclosure and to ensure the University safeguards the federal sponsor's interests. However, the University must balance its requirements to protect classified information with its responsibilities to also demonstrate accountability and oversight. Access to information to maintain accountability is particularly important in light of the University's annual resolution, reapproved by the Board of Visitors (BOV) in August 2025, to permit exclusion of BOV members from the National Industrial Security Program Operating Manual (NISPOM) requirement to have a security clearance. Information documented within the BOV meeting materials in support of the resolution suggests that the BOV and other individuals without a security clearance may exercise oversight through review of SOWs and financial information, which is the same information the University restricted during the audit at the direction of its federal sponsor and the Company.

As the University continues to pursue research and development opportunities in new and emerging areas including classified programs, management should ensure that processes are in place to allow for appropriate transparency and oversight in advance of accepting the awards, including adequate accessibility for external auditors to obtain sufficient, appropriate evidence over significant financial activities in accordance with the Code of Virginia. During this evaluation, management should ensure the University has processes in place to timely identify and assess high-risk subcontractors and to work with federal sponsors during the contracting phase of the award to ensure classification designations are clear and allow for appropriate levels of governance and oversight. In addition, management should communicate with responsible University staff to ensure they understand such designations.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Controls Over Internally Generated Software

Type: Internal Control

Severity: Significant Deficiency

The University has not designed adequate internal controls to ensure financial accountability over internally generated software developed by departments outside of Information Technology Services (ITS). During fiscal year 2023, a University College (College) procured a vendor (Company) (see Comment to Management – *Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas* on pages 1-2 of this report) through several sole source procurements to develop software in support of a University-funded project. Sole source procurements indicate that there is only one source practically available, allowing for the University to award a contract without competition. While the College did obtain executive-level approvals within the University’s Office of Fiscal Services (Fiscal Services) to initiate the procurement, it did not submit the project to the University’s executive council responsible for managing University projects. The University processed \$4.35 million in payments related to these procurements to the Company during fiscal year 2023, achieving some of the intended project objectives. However, the University failed to record, track, and report the resulting intangible asset in its fiscal year 2023 financial statements. Further, as of March 2024, the University considered the intangible asset obsolete and impaired, which management attributed to the rapidly changing technology landscape.

University Policy 1113 – *Project Management* (Project Management Policy) defines a University Project as a non-routine activity that has a significant impact on the University, crosses one or more divisional lines, and is large in scope and/or cost. The Project Management Policy establishes guidelines to ensure the University properly assesses project goals, objectives, costs, and risks and coordinates with all affected University activities. Generally accepted accounting principles set by the Governmental Accounting Standards Board (GASB) require capitalization of internally generated software assets within the University’s financial statements.

The College did not communicate the project to the executive council in accordance with the Project Management Policy because it did not believe it met the definition of a University Project. Developing large-scale software projects without following standardized procedures for project management increases the risk that project goals, objectives, costs, and risks may not be fully considered. Additionally, the College did not communicate the asset to Fiscal Services based on lack of awareness of the financial reporting implications since Fiscal Services only communicates with ITS regarding internally generated software. As a result, the University did not accurately recognize and disclose the intangible asset or subsequent impairment.

Management should re-evaluate the Project Management Policy, which was last updated in 2021, to ensure its definition of University Project clearly and effectively identifies the activities that should be subject to standardized project management procedures. Fiscal Services should expand its education and communication efforts to ensure it obtains all relevant information from all departments to accurately and completely report internally generated software.

Improve Interdepartmental Communication and Accountability

Type: Internal Control

Severity: Significant Deficiency

University departments are not consistently providing accurate and complete information timely to Fiscal Services. During our audit, we identified several instances in which Fiscal Services did not receive either timely, accurate, or complete information from other University departments to identify, process, and account for transactions in accordance with University policies and accounting standards. A listing of our findings and the relevant departments within Fiscal Services are as follows:

- The University's Treasury Department (Treasury) did not remove access timely for eight employees with access to electronic banking information who had separated from the University or who no longer required access. The University's Information Technology Security Standard requires managers of University departments to ensure the University updates systems under their control to account for separated personnel, and changes in personnel status or position. Treasury relies upon notification from department personnel when an employee with access to electronic banking access is either terminated or no longer needs access due to a change in role or responsibilities. In each instance of improper access we identified, department personnel did not notify Treasury of the change in employee status. Improper access to banking systems increases the risk of unauthorized individuals accessing privileged information or initiating unauthorized transactions related to University accounts.
- The Fixed Assets Department (Fixed Assets) did not enter ten out of a sample of 15 (67%) equipment acquisitions into the fixed assets system timely during the fiscal year. Additionally, as referenced in the above comment to management, *Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas*, a University College did not report to Fixed Assets \$1.8 million in equipment during a previous fiscal year. The University requires departments to report equipment acquisitions to Fixed Assets for prompt entry (30 days) into the fixed assets system, as outlined in its equipment manual and inventory control policy. Departments did not notify Fixed Assets of the acquisitions within the prescribed period, causing delays in completing this process. Untimely entry of acquisitions into the fixed assets system reduces the University's ability to track physical custody of the assets or report complete financial statement balances.
- In a sample of 34 vouchers tested, the Accounts Payable Department (Accounts Payable) processed four vouchers (12%) in an untimely manner, including one that Fiscal Services did not subsequently report in the correct fiscal year. The University's fiscal policies require that all purchases be reported to Accounts Payable timely to support the fiscal year-end and payment processes. In each of these instances, University departments purchasing goods or services did not notify Accounts Payable about invoices they received from vendors in a timely manner. While Accounts Payable communicates to vendors their responsibility for submitting invoices to the correct department, untimely notification of vendor invoices to

Accounts Payable prolongs the payment process and increases the risk of improper application of year-end accruals for financial reporting.

- In three instances, University departments did not identify or provide subscription-based information technology agreements (SBITAs) to Fiscal Services for consideration in the fiscal year-end financial reporting process. The University's fiscal year-end financial reporting procedures require that departments report contracts or purchases that could meet the criteria within GASB Statement No. 96 for evaluation. While the University determined the instances identified to be short-term with no impact on financial reporting, failure to identify SBITAs could result in financial statement balances and disclosures that are incomplete or insufficient.

Management is responsible for its system of internal control, including establishing and enforcing effective lines of internal communication. In each of the conditions identified above, University departments failed to notify Fiscal Services of relevant transactions or events which prevented Fiscal Services from performing its responsibilities in accordance with the University's policies and procedures.

Management should re-evaluate interdepartmental communication expectations, mediums, and processes that are significant to its system of internal control. The University should further consider whether there are opportunities to improve accountability of departments in following interdepartmental communication requirements. For fiscal processes in which management is aware of deficiencies in significant interdepartmental communication, management should design compensating controls to ensure control objectives are met.

Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Office of the University Registrar (Registrar) personnel did not report accurate and timely enrollment data to the National Student Loan Data System (NSLDS) for students that graduated, withdrew, or changed enrollment level. The Registrar indicated the exceptions were due to a lack of communication within the office and a lack of communication between the office and the Office of Student Financial Aid (Financial Aid). From our review of a sample of 40 students, we noted the following instances of noncompliance:

- The enrollment status was inaccurate for seven students (18%);
- The effective date was inaccurate for nine students (23%);
- The University did not report enrollment status changes timely for seven students (18%);
- At least one campus or program level field deemed critical was inaccurate for nine students (23%); and

- The University did not provide evidence supporting that it reported accurate physical addresses in NSLDS for eight students (20%).

In accordance with Title 34 Code of Federal Regulations (CFR) § 685.309 and further outlined in the NSLDS Enrollment Guide published by the U.S. Department of Education (ED), the University must report enrollment changes to NSLDS within 30 days when attendance changes, unless it will submit a roster file within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Untimely and inaccurate enrollment data submissions to the NSLDS can affect ED's reliance on the system for monitoring purposes. Noncompliance may also impact the University's participation in Title IV programs.

Management should enhance its communications relating to enrollment reporting in the Registrar and Financial Aid offices and implement corrective action to ensure that the University reports accurate and timely student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Promptly Identify Title IV Withdrawals

Type: Internal Control and Compliance

Severity: Significant Deficiency

Financial Aid personnel did not identify students who withdrew in the fall 2023 and summer 2024 terms within 30 days of the end of the terms. For two of 25 students (8%), the University did not timely identify the students requiring a return of Title IV calculation. University management indicated timing constraints caused by waiting on the posting of grades following a scheduled holiday break and delays submitting disbursement records through the Common Origination and Disbursement System (COD) contributed to the untimely identification of students requiring a return.

In accordance with 34 CFR § 668.22(j)(2), for institutions that are not required to take attendance, the institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (i) payment period or period of enrollment; (ii) academic year in which the student withdrew; or (iii) the educational program from which the student withdrew. By not identifying students who withdraw timely, the University is not in compliance with federal requirements and may be subject to potential adverse actions affecting the University's participation in Title IV programs.

Management should implement necessary corrective measures to ensure timely identification of Title IV students who withdraw from the University.

Properly Complete Federal Verification Prior to Disbursing Title IV Aid

Type: Internal Control and Compliance

Severity: Significant Deficiency

Financial Aid personnel did not properly complete the federal student verification process prior to disbursing Title IV aid. University management indicated staff did not follow written verification policies and procedures which resulted in the errors. We noted the following instances of noncompliance:

- For one of seven (14%) students flagged for verification, Financial Aid personnel did not match the income tax paid from the Free Application for Federal Student Aid (FAFSA) to the student information system prior to awarding Title IV aid totaling \$8,189.
- For one of 25 (4%) students tested for verification, Financial Aid personnel did not match the appropriate documentation for the student's adjusted gross income prior to awarding Title IV aid totaling \$11,796.

In accordance with 34 CFR § 668.54 through 34 CFR § 668.57, an institution must require an applicant whose FAFSA information has been selected for verification to verify the information required by ED. Federal Register 87 F.R. 40826 outlines the 2023 – 2024 Award Year FAFSA information ED requires to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. Further, in accordance with ED's Electronic Announcement GRANTS 24-04, published on April 12, 2024, the University is required to verify all recipients selected for verification by ED's Central Processing System (CPS) unless a recipient is exempt from verification in accordance with the exclusions from verification provided for in the regulations at 34 CFR 668.54(b). By not performing or improperly performing the necessary verification, the University may provide financial aid disbursements to students based upon inaccurate information and may be subject to potential adverse actions affecting the University's participation in Title IV programs.

Management should provide additional training to staff for obtaining and reviewing mandatory documentation for students selected for verification. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review to ensure that Financial Aid personnel obtain, review, and retain acceptable documentation for audit purposes.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 3, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
George Mason University

Gregory Washington
President, 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 (University) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 3, 2025. Our report includes a reference to other auditors who audited the financial statements of the component units of the University, as described in our report on the University's financial statements. The other auditors did not audit the financial statements of the component units of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component units of the University.

Report on 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 (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We did identify certain deficiencies in internal control titled "Improve Controls Over Internally Generated Software," "Improve Interdepartmental Communication and Accountability," "Improve Reporting to National Student Loan Data System," "Promptly Identify Title IV Withdrawals," and "Properly Complete Federal Verification Prior to Disbursing Title IV Aid," 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 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 financial statements. 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 findings and recommendations titled "Improve Reporting to National Student Loan Data System," "Promptly Identify Title IV Withdrawals," and "Properly Complete Federal Verification Prior to Disbursing Title IV Aid."

The University's Response to Findings

We discussed this report with management at an exit conference held on September 25, 2025. Government Auditing Standards require the auditor to perform limited procedures on the University's response to the findings identified in our audit, which is included in the accompanying section titled "University Response." The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

The University has taken adequate corrective action with respect to the prior audit finding identified as complete in the [Findings Summary](#) included in the Appendix.

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 Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Improve IT Risk Management and Contingency Planning Program	Complete	2023
Improve Controls Over Internally Generated Software	Ongoing	2024
Improve Interdepartmental Communication and Accountability	Ongoing	2024
Improve Reporting to National Student Loan Data System	Ongoing	2024
Promptly Identify Title IV Withdrawals	Ongoing	2024
Properly Complete Federal Verification Prior to Disbursing Title IV Aid	Ongoing	2024

* A status of **Complete** indicates management has taken adequate corrective action. A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end.



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October 8, 2025

Staci Henshaw, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2024 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 APA's findings and management's responses to the concerns and issues raised.

Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas

During fiscal year 2024, a subcontractor (Company) performed services related to a federally sponsored program involving classified information (classified program) for which George Mason University (University) is the primary contractor. From fiscal year 2020 through 2024, the University paid the Company approximately \$42 million in federally sponsored funds through a non-competitively procured contract for services provided under the contract and continued services under new awards throughout fiscal year 2025. Over the periods of performance, the Company's financial statements consistently reported poor financial health and substantial doubt about its ability to continue to operate and meet its financial obligations in the foreseeable future, resulting in a high-risk designation by University staff for the first time in fiscal year 2025. During a lapse in federal funding, the University separately procured similar services from the Company using University funds and did not ensure financial accountability over internally generated software or physical equipment developed by the Company, as we have communicated in separate findings below titled *Improve Controls Over Internally Generated Software* and *Improve Interdepartmental Communication and Accountability*.

In response to the high-risk nature of the Company as the University's subcontractor and the materiality of the awards, we requested support for deliverables under the contract, such as Statements of Work (SOW) and financial statements of the Company. Initially, the University and federal sponsor communicated that SOWs represent Controlled Unclassified Information (CUI)



and would be accessible for audit. In response to audit requests for this information, the federal sponsor reversed its position, which resulted in the University restricting our access to the information. Additionally, the University executed a nondisclosure agreement (NDA) with the Company in 2020. University staff initially interpreted the NDA not to limit distribution of the Company's fiscal year 2022 and 2023 financial statements to the audit team. However, in response to requests for its fiscal year 2024 financial statements, the Company communicated to the University that such information was proprietary under the NDA which resulted in the University restricting audit access to the Company's financial information in conflict with the legal requirement of § 30-135 of the Code of Virginia that the external auditor have access to all information necessary to perform audits of state agencies and institutions.

Conflicting messages from University staff and the federal sponsor regarding these audit requests illustrated confusion about the appropriate designation of classification levels for contract information, hindering the University's ability to provide timely and sufficient access to CUI for the external auditor. At the direction of its federal sponsor and the Company, the University restricted access to these relevant records that are material to the financial statements, which compelled us to rely on alternative procedures and significantly delayed the audit. Restricting access to information needed to complete the audit put the University at risk of receiving a modification to its audit opinion, which could result in financial harm to the University.

Classified programs require heightened awareness and procedures to prevent unauthorized disclosure and to ensure the University safeguards the federal sponsor's interests. However, the University must balance its requirements to protect classified information with its responsibilities to also demonstrate accountability and oversight. Access to information to maintain accountability is particularly important in light of the University's annual resolution, reapproved by the Board of Visitors (BOV) in August 2025, to permit exclusion of BOV members from the National Industrial Security Program Operating Manual (NISPOM) requirement to have a security clearance. Information documented within the BOV meeting materials in support of the resolution suggests that the BOV and other individuals without a security clearance may exercise oversight through review of SOWs and financial information, which is the same information the University restricted during the audit at the direction of its federal sponsor and the Company.

As the University continues to pursue research and development opportunities in new and emerging areas including classified programs, management should ensure that processes are in place to allow for appropriate transparency and oversight in advance of accepting the awards, including adequate accessibility for external auditors to obtain sufficient, appropriate evidence over significant financial activities in accordance with the Code of Virginia. During this evaluation, management should ensure the University has processes in place to timely identify and assess high-risk subcontractors and to work with federal sponsors during the contracting phase of the award to ensure classification designations are clear and allow for appropriate levels of



governance and oversight. In addition, management should communicate with responsible University staff to ensure they understand such designations.

Management's Response

George Mason University acknowledges these observations and would like to clarify that the separately procured deliverables provided by the Company during the period of lapsed federal funding were completed and delivered prior to the Company being assigned a high risk subrecipient designation.

The University also acknowledges the unique facts and circumstances surrounding this complex situation and remains fully committed to a thoughtful and deliberate evaluation of current policies and practices to ensure that sponsored research programs in emerging areas, including classified programs, clearly safeguard federal sponsor interests, strictly protect information from unauthorized disclosure, and provide for appropriate oversight and accountability, particularly with respect to internal controls over financial reporting and audit compliance. Based on the evaluation, the University is committed to enhancing policies, procedures, and practices to achieve improvements in this emerging area.

Improve Controls Over Internally Generated Software

Type: Internal Control

Severity: Significant Deficiency

The University has not designed adequate internal controls to ensure financial accountability over internally generated software developed by departments outside of Information Technology Services (ITS). During fiscal year 2023, a University College (College) procured a vendor (Company) (see Comment to Management – *Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas* on pages 1-2 of this report) through several sole source procurements to develop software in support of a University-funded project. Sole source procurements indicate that there is only one source practically available, allowing for the University to award a contract without competition. While the College did obtain executive-level approvals within the University's Office of Fiscal Services (Fiscal Services) to initiate the procurement, it did not submit the project to the University's executive council responsible for managing University projects. The University processed \$4.35 million in payments related to these procurements to the Company during fiscal year 2023, achieving some of the intended project objectives. However, the University failed to record, track, and report the resulting intangible asset in its fiscal year 2023 financial statements. Further, as of March 2024, the University considered the intangible asset obsolete and impaired, which management attributed to the rapidly changing technology landscape.

University Policy 1113 – *Project Management* (Project Management Policy) defines a University Project as a non-routine activity that has a significant impact on the University, crosses one or more divisional lines, and is large in scope and/or cost. The Project



Management Policy establishes guidelines to ensure the University properly assesses project goals, objectives, costs, and risks and coordinates with all affected University activities. Generally accepted accounting principles set by the Governmental Accounting Standards Board (GASB) require capitalization of internally generated software assets within the University's financial statements.

The College did not communicate the project to the executive council in accordance with the Project Management Policy because it did not believe it met the definition of a University Project. Developing large-scale software projects without following standardized procedures for project management increases the risk that project goals, objectives, costs, and risks may not be fully considered. Additionally, the College did not communicate the asset to Fiscal Services based on lack of awareness of the financial reporting implications since Fiscal Services only communicates with ITS regarding internally generated software. As a result, the University did not accurately recognize and disclose the intangible asset or subsequent impairment.

Management should re-evaluate the Project Management Policy, which was last updated in 2021, to ensure its definition of University Project clearly and effectively identifies the activities that should be subject to standardized project management procedures. Fiscal Services should expand its education and communication efforts to ensure it obtains all relevant information from all departments to accurately and completely report internally generated software.

Management's Response

George Mason University concurs with the recommendation to strengthen oversight and accountability related to internally generated software and is committed to implementing the following plan of action:

1. Strengthen Interdepartmental Communication and Identification Processes.

To improve the identification and tracking of internally developed software across the University, the following measures will be implemented:

- **Annual Identification Questionnaire:** Starting in fiscal year 2025, Fiscal Services will distribute a standardized annual questionnaire to all colleges and departments. The purpose of this tool is to assist in the identification of internally developed software developed within individual units, if any.
- **Education and Communication:** By 10/31/2025, Fiscal Services will create educational materials on internally developed software for sharing at financial user group meetings.
- **Procedures Clarification and Updates:** By 6/30/2026, Fiscal Services and ITS will re-evaluate existing procedures to enhance guidance for University units on the timely and accurate submission of information pertaining to internally developed software assets.



2. **Reassessment of Applicable Policies Governing Projects Managed Outside of ITS:** By 12/31/2026, the University will re-evaluate applicable policies to ensure its definition of University Projects clearly and effectively identifies the activities that should be subject to standardized project management procedures.

Improve Interdepartmental Communication and Accountability

Type: Internal Control

Severity: Significant Deficiency

University departments are not consistently providing accurate and complete information timely to Fiscal Services. During our audit, we identified several instances in which Fiscal Services did not receive either timely, accurate, or complete information from other University departments to identify, process, and account for transactions in accordance with University policies and accounting standards. A listing of our findings and the relevant departments within Fiscal Services are as follows:

- The University's Treasury Department (Treasury) did not remove access timely for eight employees with access to electronic banking information who had separated from the University or who no longer required access. The University's Information Technology Security Standard requires managers of University departments to ensure the University updates systems under their control to account for separated personnel, and changes in personnel status or position. Treasury relies upon notification from department personnel when an employee with access to electronic banking access is either terminated or no longer needs access due to a change in role or responsibilities. In each instance of improper access we identified, department personnel did not notify Treasury of the change in employee status. Improper access to banking systems increases the risk of unauthorized individuals accessing privileged information or initiating unauthorized transactions related to University accounts.
- The Fixed Assets Department (Fixed Assets) did not enter ten out of a sample of 15 (67%) equipment acquisitions into the fixed assets system timely during the fiscal year. Additionally, as referenced in the above comment to management, *Ensure Appropriate Oversight of Sponsored Programs in Emerging Areas*, a University College did not report to Fixed Assets \$1.8 million in equipment during a previous fiscal year. The University requires departments to report equipment acquisitions to Fixed Assets for prompt entry (30 days) into the fixed assets system, as outlined in its equipment manual and inventory control policy. Departments did not notify Fixed Assets of the acquisitions within the prescribed period, causing delays in completing this process. Untimely entry of acquisitions into the fixed assets system reduces the University's ability to track physical custody of the assets or report complete financial statement balances.



- In a sample of 34 vouchers tested, the Accounts Payable Department (Accounts Payable) processed four vouchers (12%) in an untimely manner, including one that Fiscal Services did not subsequently report in the correct fiscal year. The University's fiscal policies require that all purchases be reported to Accounts Payable timely to support the fiscal year-end and payment processes. In each of these instances, University departments purchasing goods or services did not notify Accounts Payable about invoices they received from vendors in a timely manner. While Accounts Payable communicates to vendors their responsibility for submitting invoices to the correct department, untimely notification of vendor invoices to Accounts Payable prolongs the payment process and increases the risk of improper application of year-end accruals for financial reporting.
- In three instances, University departments did not identify or provide subscription-based information technology agreements (SBITAs) to Fiscal Services for consideration in the fiscal year-end financial reporting process. The University's fiscal year-end financial reporting procedures require that departments report contracts or purchases that could meet the criteria within GASB Statement No. 96 for evaluation. While the University determined the instances identified to be short-term with no impact on financial reporting, failure to identify SBITAs could result in financial statement balances and disclosures that are incomplete or insufficient.

Management is responsible for its system of internal control, including establishing and enforcing effective lines of internal communication. In each of the conditions identified above, University departments failed to notify Fiscal Services of relevant transactions or events which prevented Fiscal Services from performing its responsibilities in accordance with the University's policies and procedures.

Management should re-evaluate interdepartmental communication expectations, mediums, and processes that are significant to its system of internal control. The University should further consider whether there are opportunities to improve accountability of departments in following interdepartmental communication requirements. For fiscal processes in which management is aware of deficiencies in significant interdepartmental communication, management should design compensating controls to ensure control objectives are met.

Management's Response

George Mason University acknowledges the finding related to inconsistent and untimely interdepartmental communication of financial information and internal controls. Management recognizes that timely, accurate, and complete communication between departments and Fiscal Services is essential in maintaining a strong internal control environment and ensuring compliance with applicable policies and accounting standards.

The University is committed to implementing the following plan of action:



1. **Review and Enhance Communication Processes:** Starting in fiscal year 2026, *Fiscal Services* will re-evaluate and assess existing interdepartmental communication pathways and workflows to identify and implement improvements for the various transaction types noted above. A communication plan will be formulated no later than December 2025.
2. **Strengthen Internal Controls on Treasury Access:** At the end of fiscal year 2025, Treasury Services addressed the finding by implementing new internal controls in coordination with the Finance Technology Services (FTS) team. The updated internal controls added more diligence with approving access, quarterly and annual reviews, and a system generated report when employees change positions or terminate from George Mason.

Improve Reporting to National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Office of the University Registrar (Registrar) personnel did not report accurate and timely enrollment data to the National Student Loan Data System (NSLDS) for students that graduated, withdrew, or changed enrollment level. The Registrar indicated the exceptions were due to a lack of communication within the office and a lack of communication between the office and the Office of Student Financial Aid (Financial Aid). From our review of a sample of 40 students, we noted the following instances of noncompliance:

- The enrollment status was inaccurate for seven students (18%);
- The effective date was inaccurate for nine students (23%);
- The University did not report enrollment status changes timely for seven students (18%);
- At least one campus or program level field deemed critical was inaccurate for nine students (23%); and
- The University did not provide evidence supporting that it reported accurate physical addresses in NSLDS for eight students (20%).

In accordance with Title 34 Code of Federal Regulations (CFR) § 685.309 and further outlined in the NSLDS Enrollment Guide published by the U.S. Department of Education (ED), the University must report enrollment changes to NSLDS within 30 days when attendance changes, unless it will submit a roster file within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Untimely and inaccurate enrollment data submissions to the NSLDS can affect ED's reliance on the system for monitoring purposes. Noncompliance may also impact the University's participation in Title IV programs.



Management should enhance its communications relating to enrollment reporting in the Registrar and Financial Aid offices and implement corrective action to ensure that the University reports accurate and timely student enrollment status changes to the NSLDS. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Management's Response

George Mason University agrees and will adhere to the suggestions provided. In accordance with 34 CFR § 690.83(b)(2).

To address these concerns, George Mason will implement the plan of action below.

1. **Enhanced Communication:** George Mason management will enhance its communications relating to enrollment reporting in the Registrar and Financial Aid Offices.
2. **Corrective Actions:** We will implement corrective actions to ensure that the university reports accurate and timely student enrollment status changes to the National Student Loan Data System.
3. **Quality Control Review:** Management will consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Promptly Identify Title IV Withdrawals

Type: Internal Control and Compliance

Severity: Significant Deficiency

Financial Aid personnel did not identify students who withdrew in the fall 2023 and summer 2024 terms within 30 days of the end of the terms. For two of 25 students (8%), the University did not timely identify the students requiring a return of Title IV calculation. University management indicated timing constraints caused by waiting on the posting of grades following a scheduled holiday break and delays submitting disbursement records through the Common Origination and Disbursement System (COD) contributed to the untimely identification of students requiring a return.

In accordance with 34 CFR § 668.22(j)(2), for institutions that are not required to take attendance, the institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (i) payment period or period of enrollment; (ii) academic year in which the student withdrew; or (iii) the educational program from which the student withdrew. By not identifying students who withdraw timely, the University is not in compliance with federal requirements and may be subject to potential adverse actions affecting the University's participation in Title IV programs.



Management should implement necessary corrective measures to ensure timely identification of Title IV students who withdraw from the University.

Management's Response

George Mason University agrees with this recommendation. To ensure compliance with 34 CFR § 668.22(j)(2), we will implement the following practices moving forward:

- 1. Double Review of R2T4s:** Two individuals will review R2T4s to ensure timely completion of the process, effectively doubling the assigned personnel.
- 2. Pell File System:** We will collaborate with the Associate Director of Funds Management to establish a system where a Pell file will be sent to COD specifically for R2T4 students. This will ensure timely completion of the calculation and help identify any "stuck" Pell disbursements promptly.
- 3. Collaboration with Registrar's Office:** The Office of Student Financial Aid will work closely with the Registrar's Office to ensure students are coded as withdrawals in a timely manner.
- 4. Grade Report Review Schedule:** The schedule and review process for the "Never attended" and "stopped attending" grade reports will be adjusted to ensure compliance.

Properly Complete Federal Verification Prior to Disbursing Title IV Aid

Type: Internal Control and Compliance

Severity: Significant Deficiency

Financial Aid personnel did not properly complete the federal student verification process prior to disbursing Title IV aid. University management indicated staff did not follow written verification policies and procedures which resulted in the errors. We noted the following instances of noncompliance:

- For one of seven (14%) students flagged for verification, Financial Aid personnel did not match the income tax paid from the Free Application for Federal Student Aid (FAFSA) to the student information system prior to awarding Title IV aid totaling \$8,189.
- For one of 25 (4%) students tested for verification, Financial Aid personnel did not match the appropriate documentation for the student's adjusted gross income prior to awarding Title IV aid totaling \$11,796.



In accordance with 34 CFR § 668.54 through 34 CFR § 668.57, an institution must require an applicant whose FAFSA information has been selected for verification to verify the information required by ED. Federal Register 87 F.R. 40826 outlines the 2023 – 2024 Award Year FAFSA information ED requires to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. Further, in accordance with ED's Electronic Announcement GRANTS 24-04, published on April 12, 2024, the University is required to verify all recipients selected for verification by ED's Central Processing System (CPS) unless a recipient is exempt from verification in accordance with the exclusions from verification provided for in the regulations at 34 CFR 668.54(b). By not performing or improperly performing the necessary verification, the University may provide financial aid disbursements to students based upon inaccurate information and may be subject to potential adverse actions affecting the University's participation in Title IV programs.

Management should provide additional training to staff for obtaining and reviewing mandatory documentation for students selected for verification. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review to ensure that Financial Aid personnel obtain, review, and retain acceptable documentation for audit purposes.

Management's Response

George Mason agrees with the recommendation. The appropriate mandatory documentation for students selected for verification was obtained by the Processing team within the Office of Student Financial Aid. The two students identified within this recommendation occurred due to staff oversight of a single data element due to in-person student service inquiries received from internal and external partners. Currently, the Processing team continuously attends various webinars and training individually and discuss information obtained afterwards.

To ensure the most current and guidelines are followed George Mason will implement the plan of action below.

- 1. Formal Training Structure:** Establish a formal training structure that includes annual reviews of key procedures to ensure all staff are up-to-date with the latest practices and regulations.
- 2. In-Person Inquiry Process:** Revise the process for handling in-person inquiries. Instead of requesting immediate responses, the Mason Student Service Center will create a case to inform the processing team of student inquiries. Students will be advised that their inquiries will be addressed by the processing team by the close of business.
- 3. Quality Assurance Procedure:** Implement a quality assurance procedure. An internal quality assurance review will be conducted monthly to ensure files are reviewed accurately according to the most recent regulations provided.



Sincerely,

Signed by:

Dan Stephens

Dan Stephens

Interim Senior Vice President
and Chief Financial Officer