



AUDITOR OF PUBLIC ACCOUNTS

Commonwealth of Virginia

GEORGE MASON UNIVERSITY

Report on Audit for the Year Ended June 30, 2025

Staci A. Henshaw, CPA
Auditor of Public Accounts

(804) 225-3350
www.apa.virginia.gov

AUDIT SUMMARY

We have audited the basic financial statements of George Mason University (University) as of and for the year ended June 30, 2025, and issued our report thereon, dated September 25, 2026. 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 matter involving internal control and its operation requiring management's attention that also represents an instance of noncompliance with applicable laws and regulations that is required to be reported under Government Auditing Standards; however, we do not consider it to be a material weakness;
- four additional internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- ongoing corrective action with respect to the prior audit findings and recommendations identified in the Findings Summary included in the Appendix.

We did not perform audit work on the prior audit findings 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," as noted in the Findings Summary included in the Appendix, because the University did not implement corrective action during our audit period. We will follow up on these findings during the fiscal year 2026 audit.

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 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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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Accountability within the Rapid Prototyping Research Center
Type: Internal Control and Compliance
Severity: Significant Deficiency

The University's Rapid Prototyping Research Center (Research Center) within the College of Engineering and Computing (College) does not promote an adequate internal control environment or culture of compliance. In the prior audit, we communicated concerns regarding the Research Center's selection and monitoring of a high-risk subcontractor performing work in support of a University-funded project and federally sponsored research program (Research Program). After these initial communications, the University restricted our access to financial records involving the Research Program, which prompted a comment to management recommending increased transparency and oversight of emerging sponsored programs. Since the prior audit, we have become aware of the following:

- The University's Office of Institutional Compliance and Ethics (OIC) completed an investigation of the Research Center involving 21 interviews of staff across multiple cross-functional departments. The OIC identified risks that it characterized as both significant and imminent. Risks included potential conflicts of interest, potential improper selection and oversight of subcontractors, and deficiencies in communication and culture.

- The College hired consultants and officials with potential conflicts of interest and granted them titles and authority consistent with University management including responsibility for overseeing certain Research Center sponsored programs, which put the University at risk of violating the Federal Acquisition Regulation (FAR) 52.203-13 Contractor Code of Business Ethics and Conduct. Within two sponsored programs selected for review during fiscal year 2025, including one program administered through the Research Center and another administered through the Dean's Office, the College selected all subcontractors (over 15 companies) non-competitively through sole-source procurements, which increases the risk associated with conflicts of interest.

- The Dean's Office hired a consultant primarily in support of the Research Center and did not validate the consultant's time and effort, or services provided, for nearly two years. University Policy 2106 (*Purchase of Goods and Services*) requires purchasing departments to assign a contract administrator to ensure that contractors deliver services satisfactorily in accordance with the contract. The consultant continued to provide services to the University under an expired contract during fiscal year 2026. The Dean's Office paid the consultant approximately $689,000 between fiscal years 2023 and 2025 with additional compensation paid by a University foundation.

- Review of a sample of expenses within the Research Program during fiscal year 2025 found that the principal investigator responsible for the program did not take ownership over the

adequacy of subcontractor deliverables. Specifically, the principal investigator relied on verbal or written confirmation from Project Managers that subcontractors met required deliverables but did not independently review to ensure billings were consistent with technical progress, as outlined by University Policy 4009 *(Subrecipient Management and Monitoring Procedure Guidelines)*. In one instance, documented correspondence indicated that the principal investigator approved a reconciliation despite being aware of an uncorrected allocation error within the reconciliation. In fiscal year 2026, the Research Center assigned a new principal investigator to the program without obtaining federal sponsor approval as required in the contract agreement.

- The University prevented the audit team from reviewing unclassified supporting financial records for five months in conflict with the legal requirement of § 30-135 of the Code of Virginia which provides that the external auditor have access to all information necessary to perform audits of state agencies and institutions.

The observations over the past two audits demonstrate that the Research Center is operating outside of the University's internal control environment. University Policy 4006 (*Sponsored Program Administration*) charges the Office of Sponsored Programs (OSP) with approving and processing all research, services, and training funded by external sources, which includes activities performed by the Research Center. Despite the role of OSP in guiding and supporting departments, University management has not demonstrated that it supports OSP's role in holding the Research Center accountable or in providing supporting documents for audit in accordance with prevailing law. Additionally, the University has identified opportunities to mature its enterprise risk management program to assist in identifying and addressing key operational, compliance, and reputational risks.

Lack of an adequate control environment and culture of compliance within the Research Center, coupled with conflicts of interest and pervasive non-competitive subcontractor selection, puts the University at risk of disallowed costs and fraud, waste, and abuse, which could result in both financial and reputational harm to the University. In response to these risks, University management should ensure the Research Center operates within the University's internal control environment and consistently with the University's enterprise-wide administration of sponsored programs. Additionally, the University's Board of Visitors (Board) should continue working with the University's Office of Audit and Compliance to fully assess the scope and extent of the issues involving the Research Center. The Board should further coordinate with management to enhance the University's conflicts of interest and enterprise risk management programs to address the University's key operational, compliance, and reputational risks.

Perform Fixed Price Grant Reconciliations

Type: Internal Control

Severity: Significant Deficiency

The College of Engineering and Computing (College) is not consistently performing fixed price grant bi-monthly reconciliations. For three out of the College's eight (38%) active fixed price grants selected, the College's assigned principal investigator within the Dean's Office did not perform the

selected reconciliations until requested during this audit (between one and two years after the date required by policy).

University Policy 4013, *Fixed Price Agreements*, defines fixed price agreements as funding mechanisms used to support an activity at a fixed funding level in exchange for deliverables outlined in the agreements. It further explains that these agreements have a degree of risk as deliverables must be met even if costs incurred exceed the funded amount. University Policy 2114, *Reconciling Departmental and Sponsored Fund Accounting Records*, requires reconciliations to be prepared, approved, and certified no later than two months after the last day of the reconciled month/period. Principal investigators should review the financial activity for sponsored projects and certify that the results of the reconciliations are reasonable and accurate. The review should ensure that transactions are made for the intended purpose of the grant or contract, and in accordance with sponsor requirements, as well as the University's policies and procedures for sponsored funds. The review must include an analysis of reconciling items and appropriate follow-up.

The reconciliations sampled included known unreconciled expenses of approximately $775,000. Additional unreconciled expenses may exist within the College's remaining active fixed price grants not included within the sample. Failure to perform bi-monthly grant reconciliations increases the risk that the University will not detect or correct errors in program expenses. Undetected or uncorrected errors could lead to misstatements in the University's financial statements. Furthermore, unidentified errors or improper transactions could expose the University to liability, jeopardize current or future grant programs, and cause reputational harm.

The College stated that staff within the Dean's Office did not prepare the selected reconciliations timely due to competing priorities, as well as administrative and operational constraints, including workload transitions. The College should dedicate the necessary resources, in advance of accepting sponsored awards, to perform and document fixed price grant bi-monthly reconciliations in accordance with the University's policies and procedures.

Strengthen Control and Safeguarding of University Equipment
Type: Internal Control
Severity: Significant Deficiency

The University has not implemented adequate controls and safeguards over equipment. Out of a random sample of 40 equipment assets from the University's fixed assets system, the Fixed Asset Department (Fixed Assets) could not verify the physical existence of five (12.5%) assets. We specifically identified the following deficiencies:

- Two assets could not be located;
- Two assets did not have physical tags affixed by University departments; and
- One asset's physical tag did not agree to the fixed asset system.

Commonwealth Accounting Policies and Procedures Manual Topic 30505 and the University's Equipment Manual require the University to enter equipment into the fixed asset system and to tag equipment at the time of physical receipt, or as soon as possible thereafter. According to the University's Equipment Manual, each University department is responsible for controlling and safeguarding acquired equipment by assigning liaisons, performing inventories, identifying missing or untagged assets, and notifying Fixed Assets of any discrepancies or requests for asset tags. In addition to providing inventory instructions and on-demand equipment reports to departments, Fixed Assets is responsible for updating the fixed assets system to address discrepancies and providing asset tags upon request.

The missing or inaccurate physical tags identified in our sample resulted either from a University department not requesting a tag when purchasing equipment or, in one instance, failing to affix the asset tag provided by Fixed Assets. In the instance of not affixing the asset tag, the department did not submit the New Equipment Location Form to Fixed Assets in order to confirm receipt of the asset tag and to indicate the equipment's current location. The University's Equipment Manual does not currently require Fixed Assets to perform follow-up procedures to ensure that asset tagging has occurred and that the required equipment location forms have been properly completed and returned. The missing equipment resulted from University departments and liaisons not adequately safeguarding and tracking the location of equipment. Additionally, ineffective physical inventories performed by University departments did not resolve equipment discrepancies due to insufficient follow-up procedures and inter-departmental communication.

Inadequate controlling and safeguarding of physical assets increases the risk of lost or misappropriated assets; results in inaccurate capital asset records; leads to potential noncompliance with state policies governing capital asset management; and reduces the reliability of financial reporting.

Fixed Assets should coordinate with University departments to ensure equipment is promptly and consistently tagged upon acquisition or identification. To ensure proper and timely recording of equipment in the fixed asset system, Fixed Assets should consider updating the University's Equipment Manual to require follow-up with departments when the departments do not confirm receipt of asset tags or do not submit the required equipment location forms. Fixed Assets should also enhance its training and oversight efforts to help ensure departments perform effective physical inventories, including promptly investigating missing or untagged equipment and notifying Fixed Assets of changes in asset locations, tag numbers, or asset status, so that University records can be updated accordingly.

Improve Controls Over Internally Generated Software

Type: Internal Control
Severity: Significant Deficiency
First Reported: Fiscal Year 2024

Our prior audit found that the University did not design adequate internal controls to ensure financial accountability over internally generated software developed outside of Information Technology Services (ITS), resulting in incomplete identification, tracking, and financial reporting of internally generated software associated with University projects. Management asserted that corrective action

remained ongoing throughout the fiscal year 2025 audit period. We will follow up on this finding once the University completes its corrective action.

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 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. Governmental Accounting Standards Board (GASB) requirements mandate capitalization and reporting of internally generated software assets.

During fiscal year 2025, management implemented new processes that included developing an annual questionnaire to be distributed to all departments, expanding Fiscal Services' review of departmental expenses to identify potential internally generated software, and establishing a project team to further clarify procedures, communication and education protocols, and policy applicability. However, the University has not fully updated or finalized its policy and related procedures to consistently identify qualifying software development projects across all departments. While the University has made adequate progress, and corrective action is on schedule, the University remains at risk that it may not identify, track, and report internally generated software assets within the financial statements.

Management should continue implementing planned corrective action by evaluating and clarifying applicable policies and procedures to consistently identify and subject qualifying software development projects to standardized oversight and appropriate financial reporting. In addition, Fiscal Services should continue to expand education and communication efforts across all departments to ensure complete and accurate reporting of internally generated software.

Improve Interdepartmental Communication and Accountability
Type: Internal Control
Severity: Significant Deficiency
First Reported: Fiscal Year 2024

Our prior audit found that University departments did not consistently provide timely, accurate, or complete information to Fiscal Services, which constrained Fiscal Services' ability to identify, process, and account for transactions in accordance with University policies and accounting standards. Management indicated that corrective action remained ongoing throughout the fiscal year 2025 audit period. We will follow up on this finding once the University completes its corrective action.

Management is responsible for its system of internal control, including establishing and enforcing effective lines of internal communication. During fiscal year 2025, management asserts that it has implemented new initiatives, which included reviewing and enhancing interdepartmental communication processes by assessing existing communication paths and implementing improvements for several types of transactions. In addition, management asserts that it has instituted a monthly meeting series with University department managers, aimed at ensuring communication lines remain open and active.

Management should continue evaluating interdepartmental communication expectations, mediums, and processes that are significant to its system of internal control. Further, the University should continue considering whether there are opportunities to improve accountability of departments in following interdepartmental communication requirements. For fiscal processes where management is aware of deficiencies in significant interdepartmental communication, management should continue to design compensating controls to ensure control objectives are met.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 25, 2026

The Honorable Abigail D. Spanberger
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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 25, 2026. 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 Accountability within the Rapid Prototyping Research Center," "Perform Fixed Price Grant Reconciliations," "Strengthen Control and Safeguarding of University Equipment," "Improve Controls Over Internally Generated Software," and "Improve Interdepartmental Communication and Accountability," 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the section titled "Internal Control and Compliance Findings and Recommendations" in the finding titled "Improve Accountability within the Rapid Prototyping Research Center."

The University's Response to Findings

We discussed this report with management at an exit conference held on October 16, 2026. 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

We did not include the prior audit findings 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" in the scope of our audit because the University did not implement corrective action during our audit period. We will follow up on these findings during the fiscal year 2026 audit. The University has not completed corrective action with respect to the other prior audit findings identified as ongoing 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

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Improve Accountability within the Rapid Prototyping Research Center	Ongoing	2025
Perform Fixed Price Grant Reconciliations	Ongoing	2025
Strengthen Control and Safeguarding of University Equipment	Ongoing	2025
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 **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end.

** These prior audit findings were not included in the scope of our audit. Per inquiry with management, we determined that corrective action was ongoing as of June 30, 2025.

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4400 University Drive, MS 3B2, Fairfax, Virginia 22030
Phone: 703-993-1000; Web: gmu.edu

October 23, 2026

Staci A. Henshaw, CPA, CGMA
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 2025 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 management's responses to the concerns and issues raised.

Improve Accountability within the Rapid Prototyping Research Center

The University, through its units the College of Engineering and Computing (CEC) Dean's Office and the Rapid Prototype Research Center (RPRC), agrees that there are instances where compliance with university controls needs to be strengthened as noted below.

OIC Investigation Findings

While the University does not agree with all the risks identified in the OIC Memo, the University supports bringing in an external reviewer to assess RPRC's transactions and controls and determine which controls and procedures need to be strengthened. CEC also supports the planned changes to University Policy 4001: Conflicts of Interest (COI), including expanding its applicability to all employees, consultants, and subcontractors, and creating a university policy on organizational conflicts of interest (OCI). The University will work with CEC, Office of Research, Innovation, and Economic Impact (ORIEI), and OIC to ensure that these policies are fully implemented in CEC. RPRC has adopted expanded interim procedures for COI and OCI disclosures across all of its programs, including a new OCI questionnaire implemented in May 2026 and a roster, to be updated monthly with the Co-Chairs of the University Conflict of Interest Committee, of all RPRC employees, consultants, and subcontractors covered by those policies.

Concerning any deficiencies in communications and culture within RPRC, CEC acknowledges that RPRC fostered a military culture of "mission success." To establish a more collegial and collaborative academic culture, the current RPRC Director will be focused on changing the organizational culture within RPRC. A review of communications and culture will be completed by December 2026, with implementation to follow in the months following.

Hiring with Potential COI

CEC acknowledges that an official was hired as Executive Director of RPRC who had potential conflicts of interest that were not disclosed at the time of hiring, even though that official was formally asked if he had any post-government employment restrictions. CEC requested that OIC conduct a review of potential COI issues with all RPRC personnel in December 2025. When the University discovered that the Executive Director had post-government employment restrictions, the

University immediately investigated whether there were any breaches of the COI clause in FAR 52.203-13 and concluded that it was more likely than not that there were breaches. The University reported this to the sponsor promptly, thus complying with the requirements of FAR 52.203-13-c-2-ii-F. In addition, the College hired consultants and wage employees with potential conflicts of interest that were not identified at time of engagement or hire.

To strengthen compliance with COI requirements and improve internal controls, OIC enhanced its COI disclosure reporting. All CEC personnel and CEC consultants with any program role, including wage employees, will now complete the new OIC disclosure before hire, effective October 2026. In August 2026, RPRC required all current employees to report any potential conflicts of interest meeting the newly enhanced requirements of the new OIC disclosure process. The response rate reached 100% on September 28, 2026, with the results being forwarded to the CEC Dean, ORIEI, and OIC. RPRC will remind all employees monthly of the requirement to report any change in COI status to the University promptly.

The specific consultant referenced was hired as an advisor and had no authority to make management decisions in that position. To avoid any misperceptions about the advisory role of the consultant, the Dean instructed the consultant to always clarify his advisory role. As of July 1, 2026, the consultant's advisory role related to RPRC and its contracts was ended. The Dean announced this action to all RPRC staff during an all-hands staff meeting held on July 1, 2026.

Sole-source Subcontractor Selection

The University acknowledges that subcontractors for two programs were awarded through sole source selection on the direction of the government sponsors based on prior involvement in the program and proprietary technology that uniquely addresses the mission gaps. This is not uncommon in these types of projects. The University also acknowledges that justifications for sole source selections were not always adequately documented. To mitigate this weakness, the following steps will be taken:

- The University, working with CEC and Office of Sponsored Programs (OSP), will reinforce the requirement to properly document the basis for the sole-source selection and obtain necessary approval of that selection before issuance of the subcontract.
- For each active RPRC program with sole-source subcontracts, RPRC will place the sponsor's written direction or supporting justification in the award file and submit it to OSP for approval before any new subcontract, modification, or option is issued.
- At each option period or renewal, RPRC will document whether competition is feasible.
- CEC/RPRC will complete a retroactive documentation review of existing sole-source subcontracts and provide any missing documentation to support sole-source justification.
- The planned policy update to University Policy 4001: Conflict of Interest, which is targeted for completion before FY28, will include subcontractors. These changes will help mitigate the potential risk of a COI that sole-source selection may cause.

Engagement and Monitoring of Consultant

The University agrees with the finding that CEC did not properly validate the consultant's time and effort, or services provided, for nearly two years. The Dean was actively engaged with the consultant and provided validation of the services provided through verbal communication with the Chief Business Officer.

The University acknowledges that the purchase order for the consultant's services was not renewed timely due to staff turnover, delay in consultant invoicing, and communication inefficiencies. CEC is working to improve its tracking of purchase orders to ensure that purchase order renewals are initiated and approved before purchasing. CEC also has implemented a process to ensure that approval of services in the invoices is done through written documentation.

The University acknowledges that the funding source for the consultant was moved to a University Foundation for fiscal year 2026 and, as such, CEC did not renew the consultant agreement through the University. The Interim CFO recently informed CEC that if the consultant is performing services that benefit the University, an active agreement needs to be in place regardless of whether the funding is coming from the Foundation. CEC will ensure it complies with this requirement in the future.

University Policy 2106 – Purchase of Good and Services will be implemented throughout CEC by end of December 2026.

PI Monitoring of Program

The University acknowledges that internal documentation of the review of subcontractor invoices for alignment with technical deliverables should have always been in writing and include the PI's approval of review. RPRC has adopted a written subrecipient invoice review process across all its programs effective May 2026. Project Managers review each subcontractor's invoice against technical progress reports and deliverables using a standard checklist. The PI then reviews and approves it in writing before payment, and the documentation is kept in the program file under Policy 4009.

The University will work with the CEC Research Administration to improve documentation of pending changes to charges on research awards prior to PI approval when identified prior to reconciliation completion.

Due to confusion and miscommunication, the request to add a co-PI to oversee certain programs under the "Research Program" was updated in the University's system prior to receiving sponsor approval. OSP will work closely with CEC's Chief Business Officer to reinforce roles and responsibilities for authorizing change requests and ensure regular communication between the teams. Although this appears to be an isolated oversight, OSP leadership has reassigned the RPRC portfolio to a more experienced post-award administrator and has reinforced with the post-award team responsible for award updates the need to confirm all necessary sponsor approvals have been received before processing award modifications. This mitigation occurred as of July 2026 and will be reinforced regularly with team members.

Auditor Access to Documentation

RPRC operates at the TS/SCI level with many of its contracts and CRADA both physically and IT. At the early stages of the audit, University's leadership was uncertain whether unclassified data and documents needed government approval prior to release. After further evaluation, University leadership developed a process to ensure that any data or documents requested from auditors would be first screened by the Facility Security Officer (FSO) and Vice President for Research (VPR) to ensure the proper mitigation steps were executed before sharing anything CUI or otherwise restricted. Once this process was put in place, the audit requests were able to be fulfilled, and the audit was completed. This process will be utilized going forward as appropriate. If any requested data

or documents are restricted or cannot be shared, appropriate steps will be taken, and the University will keep the auditors informed.

Conclusion
University leadership will evaluate opportunities to incorporate externally sponsored research into the enterprise risk framework and monitor regularly to mitigate potential financial, operational, compliance, strategic, and reputational risks to the institution.

Perform Fixed Price Grant Reconciliations
The College of Engineering and Computing (CEC) concurs with the finding and acknowledges that fixed price sponsored award reconciliations were not consistently performed within the required timeframe for certain awards, as noted in the audit sample.

The identified sample for the audit focused on reconciliation activity for the months of July 2024, October 2024, and May 2025 for a single Principal Investigators' grants.

During a post-award workload analysis conducted in Spring 2025, CEC Research Administration Director identified the staff member assigned to the principal investigator's portfolio was not completing the required reconciliations. The staff member had competing responsibilities and did not confirm completion nor escalate the outstanding reconciliations as required.

Following identification of the issue, CEC took the following actions to address the process gap:

New staff were onboarded, trained, and assumed responsibility for reconciling the selected principal investigator's accounts beginning in June 2025, in accordance with university policy. CEC conducted a review to ensure that all FY25 activities were aligned with sponsor requirements and coordinated with the portfolio's Project Manager. However, CEC acknowledges the formal reconciliation sign-off process was not consistently completed within the two-month required timeline.

This situation did not apply to the fixed price award in which the federal sponsor has restricted audit access to program records. A senior research administrator was assigned to provide post-award support for that project, given the complexity and dollar value of that award, and the reconciliation was completed and certified.

CEC has undertaken several corrective measures to ensure all CEC sponsored research activities are compliant with the University's reconciliation policy:

- Revised the reconciliation tracking report to include both confirmation of PI reconciliation completion and receipt of PI certification.
- Established a clear escalation protocol requiring staff to escalate cases after a third follow-up attempt if there is no response.
- Initiated development of a CEC Standard Operating Procedure, which will define internal timelines, responsibilities, and escalation procedures to ensure full compliance with university policy requirements. CEC is targeting to have this procedure communicated and implemented by July 31, 2026.

CEC believes these steps strengthen oversight, improve accountability, and reduce the risk of similar issues in the future.

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GEORGE MASON UNIVERSITY

Strengthen Control and Safeguarding of University Equipment

We acknowledge the audit observation that, during verification, two assets could not be located, two assets were not barcoded in accordance with asset management procedures, and one asset's barcode did not agree to the fixed asset system.

Upon completion of the FY26 physical inventory, one of the two assets that could not be located during verification testing was subsequently found. Established procedures were followed for the remaining missing asset. Specifically, the asset was reported to the appropriate Dean, investigated in accordance with University policy, deemed to be unrecoverable, and recorded as a disposal in the FY26 financial statements. Because both assets were verified during the FY25 inventory process, this issue does not impact the accuracy of the FY25 financial statements.

Regarding the tagging deficiencies identified, corrective actions have already been taken. Replacement barcodes have been affixed to the two previously untagged assets, and the fixed assets database has been updated to reflect the correct barcode for the asset where a discrepancy existed. While the absence of barcoding or inaccuracies within the fixed assets database represents a control deficiency, these issues do not have an impact on financial reporting.

To address these deficiencies and strengthen internal controls, Fiscal Services has implemented and will continue to enhance the following measures:

- Policy and Procedure Enhancements: A comprehensive review of the Fixed Assets policy 2104, the Equipment Manual, related forms and internal procedures was performed during FY26. Updates were made to policies/manuals/forms to ensure consistency and provide more clarity for barcoding newly acquired equipment and recording the equipment in the fixed assets database. Internal procedures were updated to include follow-up with departments to ensure barcodes are affixed and appropriate forms are completed. The updates were communicated to departments at the September 2026 meeting with unit financial representatives.
- Training: Equipment liaison training covering procedures for requesting barcodes, proper equipment barcoding, notification of equipment status changes, and completion of the annual inventory is currently available in MasonLeaps. Equipment Liaisons for the units identified in the exceptions noted above will be required to complete this training by September 30, 2026. Effective November 1, 2026, all newly designated Equipment Liaisons will be required to complete this training prior to being granted access to TraQ. In addition, all Equipment Liaisons will be required to complete the training as a refresher every two years.

We will continue to monitor these measures to ensure their effectiveness and to support ongoing compliance with asset management policies and internal control standards.

Improve Controls Over Internally Generated Software

George Mason University concurs with the recommendation to strengthen oversight and accountability related to internally generated software. Fiscal Services has established a cross-functional team to develop and implement processes for identifying, tracking, and capitalizing internally developed software and is committed to the following plan of action:

GEORGE MASON UNIVERSITY

1. Strengthen Interdepartmental Communication and Identification Processes
To improve the identification and tracking of internally developed software across the University, the following measures have been implemented or are currently in progress:

- **Annual Identification Questionnaire:** Fiscal Services distributed and completed the first standardized annual questionnaire to all colleges and departments during fiscal year 2025. The questionnaire was designed to assist in identifying software developed within individual units and to enhance the University's inventory and tracking of internally developed software assets.
- **Education and Communication:** Fiscal Services has presented accounting requirements for internally generated software at financial user group meetings and is continuing to develop educational materials to support awareness and compliance across the University.
- **Procedures Clarification and Updates:** Fiscal Services and ITS are evaluating existing procedures and guidance related to internally developed software. This review is intended to improve the timeliness and accuracy of information submitted by University units and remains in progress.

2. Enhance Tracking and Documentation of Software Development Costs
The project team is evaluating options for tracking internal labor costs associated with software development activities. This effort will establish a standardized methodology for capturing labor costs, maintaining supporting documentation, and ensuring the consistent application of capitalization requirements for internally developed software. A University-wide system will be selected, with planned additional phases of enhancement and automation anticipated thereafter.

3. Reassessment of Applicable Policies Governing Projects Managed Outside of ITS
The University is currently reassessing applicable policies governing projects managed outside of ITS to ensure that the definition of University Projects clearly and effectively identifies the activities that should be subject to standardized project management procedures. This review is in process and includes evaluating existing policy language, identifying areas requiring clarification, and collaborating with relevant stakeholders to strengthen governance and accountability.

The annual identification questionnaire has been completed. All other corrective actions are currently in progress and are expected to be completed by 12/31/2026.

Improve Interdepartmental Communication and Accountability
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.

In fiscal year 2026, Fiscal Services evaluated existing interdepartmental communication pathways and workflows to identify opportunities for improvement and to enhance the consistency and effectiveness of communications across the University. Based on this assessment, Fiscal Services formalized and confirmed the use of multiple communication channels to ensure important information such as key deadline reminders, policy updates, process updates, new GASB standards, internal control guidance, and audit remediation activities are communicated to the appropriate stakeholders in a timely manner. Key communication channels include:

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- Project Alignment Meeting (PAM) / University Information Network (UIN): utilized to communicate important information across departments, including new accounting standards, policy updates, accounting reminders, and audit remediation activities.
- Fiscal Support and Connections Network (FSCN): an open forum that enables the campus community to discuss fiscal policies and procedures, provide feedback, and share best practices. Employees are encouraged to engage with Fiscal Services through FSCN meetings, the FSCN Microsoft Teams channel, and related resources.
- Fiscal Newsletter: A monthly communication distributed to departments containing important fiscal information, reminders, deadlines, and internal control guidance.
- Targeted Listservs Communications: Used to communicate department-specific information, reminders, training opportunities, and procedural updates to relevant stakeholders.

Fiscal Services has completed its assessment of interdepartmental communication pathways and formalized a communication framework utilizing the channels described above. The framework has been integrated into ongoing operations to support timely, consistent, and effective dissemination of key information and internal control guidance. Fiscal Services will continue to monitor communication effectiveness as part of its regular business processes and internal control activities.

Sincerely,

Signed by:
Daniel Stephens
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Daniel Stephens
Interim Senior Vice President and Chief Financial Officer