



COLLEGE OF WILLIAM AND MARY
IN VIRGINIA
VIRGINIA INSTITUTE OF MARINE SCIENCE
AND
RICHARD BLAND COLLEGE

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA
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AUDIT SUMMARY

We have audited the basic financial statements of the College of William and Mary, including the Virginia Institute of Marine Science and Richard Bland College (Colleges), as of and for the year ended June 30, 2014, and issued our report thereon, dated May 27, 2015. Our report, included in the Colleges' Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the Colleges' website at www.wm.edu.

Our audit of the Colleges for the year ended June 30, 2014, found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring the attention of management at both the College of William and Mary and Richard Bland College; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal programs of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and found internal control findings requiring management's attention and instances of noncompliance in relation to the Student Financial Assistance Programs Cluster.

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AUDIT FINDINGS AND RECOMMENDATIONS – THE COLLEGE OF WILLIAM AND MARY

Properly Perform Return of Title IV Calculations

The College of William and Mary's (College's) Financial Aid Office (Financial Aid) inaccurately performed calculations for the return of Title IV funds for the fall 2013 semester for students who withdrew from courses and no longer qualified for federal financial aid. During our review, we found that all refunds during this period were improperly calculated. Financial Aid improperly included Thanksgiving break in their calculation, which caused an incorrect amount to be returned to the Department of Education.

The Code of Federal Regulations, §668.22 (f) (2) (i) states "the total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

Financial Aid should examine the fall 2013 calculation of Return to Title IV refunds and ensure the proper amounts were returned for each student. Financial Aid should implement adequate training and review of the Department of Education's procedure for calculating Title IV refunds. This along with a second level of review of the academic calendar and scheduled breaks by trained personnel when performing calculations of Title IV refunds will help avoid such errors from occurring in the future.

Improve Controls over Payments for Travel Expenses

The College did not follow the College's Travel Policy (policy) by not providing the proper supporting documentation to the Accounts Payable Department for travel-related expenses. Out of 18 travel vouchers tested, we found the following exceptions:

- Accounts Payable processed eight travel vouchers with no travel authorization form accompanying the payment request, which is a requirement per the policy.
- Accounts Payable processed one voucher for a travel expense and could not locate the supporting documentation.
- Accounts Payable processed one voucher that included a rental car upgrade for a Global Position System (GPS), which the policy prohibits.
- An employee received payment directly for one voucher for travel related meal expenses incurred during overnight travel of an athletics team instead of issuing a cash advance, which the policy does not permit.

The policy requires the requesting department or employee to submit a completed travel authorization form to their supervisor for approval. The approved travel authorization form should accompany both the travel voucher and any applicable direct-billed vendor payment voucher and be submitted to Accounts Payable for processing. In addition, the policy outlines the appropriate rates and allowable travel expenses, which should be adhered to in order for processing by Accounts Payable.

We recommend the College ensure the proper documentation accompanies each travel-related payment request and Accounts Payable ensure the travel-related expenses comply with the policy. This will reduce the risk of payment for improper travel related expenses.

Improve the Employee Termination Process

The College should improve the process of reporting terminated employees to the Office of Human Resources (Human Resources). Our review found four instances where the College did not complete the proper forms and submit to Human Resources upon termination as required by the College's Administrative Policy and Procedures Manual. This led to the College not removing access to the College's procurement system (eVA) for three employees until over 28 days past the date of the employees' terminations. Adherence to this policy is a necessary component for the College to have assurance that all property is being properly surrendered upon an employee's termination and that all levels of system access are being removed timely.

We recommend the College enforce and strengthen the existing policy regarding the timely submission of required forms upon the notification of an employee's termination. The College should also maintain all required notifications of termination within the employee's human resource file to reduce the risk of improper payment and to provide assurance of the return of all College property upon an employee's termination.

Improve Controls over Timesheet Approval

The College should improve controls over employee timesheet approval. Our review found that seven wage employees' timesheets had no evidence of supervisory approval, but instead relied upon the Payroll Department (Payroll) to use a "super approver" role for mass timesheet approval. In addition, in a separate test of overtime payments, our review found that five employees who earned a significant amount of overtime had six percent to 97 percent of their total overtime hours approved via super approval.

According to the College's Employee Timesheet Instructions, "employees' supervisor[s] must approve and submit time sheets by 11:59pm on the last day of the pay period." Supervisors not approving their employees' timesheets and relying on super approval risks employees charging excessive overtime, which they have not worked and taking time off without using an appropriate leave code. The increased use of the super approver role is the result of a lack of accountability of department supervisors for approving timesheets.

We recommend the College update and enforce existing policy to ensure supervisors complete timesheet approval timely so that hours charged are reasonable and accurate. In instances when the approving supervisor is away, a backup approver should be designated to approve timesheets. Finally, when no one can approve timesheets in order for payroll to be processed, some form of positive confirmation should be required from supervisors to ensure employees have charged the appropriate amount of hours.

Improve the myVRS Navigator Reconciliation Process

The College does not have adequate policies and procedures in place to ensure the accurate reporting of retirement contribution information to the myVRS Navigator (VNAV) System. Although reconciliations are being completed, there is no evidence reconciliations are being completed prior to confirming the information to the Virginia Retirement System (Retirement System).

Payroll Bulletin 2013-02 from the Department of Accounts states that agencies must certify the Contributions Snapshot from VNAV is accurate, as this becomes the official basis for the Retirement System's billing amounts, once certified. In addition, it is a best practice to create and document formal policies and procedures to ensure that reconciliations are performed between VNAV and the College's payroll and human resources systems, all discrepancies are resolved prior to confirmation, and proper segregation of duties is maintained throughout this process. Without documentation of the dates that VNAV reconciliations are performed, management has no assurance that this is being performed before contribution information is confirmed to the Retirement System.

We recommend that the College create and enforce policies and procedures to ensure the timeliness of reconciliations to VNAV. This will decrease the risk of providing inaccurate information to the Retirement System.

Comply with the Department of Human Resources Management Policy for Wage Employees

The College did not properly monitor wage employees' hours to ensure the total hours worked in a year-long period did not exceed 1,500 hours, as required by Department of Human Resource Management Policy 2.20 (Policy). There were five non-benefited employees who worked hours more than 1,500 hours from May 1, 2013, to April 30, 2014.

The Policy limits non-benefit employees to working no more than an average of 29 hours per week, for a maximum not to exceed 1,500 hours in the one-year measurement period of May 1 to April 30. The Commonwealth developed this policy to ensure compliance with the requirements of the Patient Protection and Affordable Care Act, which will bring penalties for noncompliance beginning in 2015.

Due to the variety of employee types at the College, and employees working multiple positions, tracking employees' hours to ensure compliance with the 1,500-hour limit will require strong internal controls. The College has created its own policy to monitor the number of hours

worked by wage employees, but had not implemented this policy as of fiscal year 2014, which led to the instances of non-compliance identified.

We recommend the College review its monitoring system to ensure non-benefit employees are not working over 1,500 hours annually to avoid penalty payments and ensure compliance with state and federal requirements. The College should create and monitor a standardized report of all non-benefited employees with their hours and alert supervisors as they approach the limit. This will greatly reduce the risk of non-compliance.

AUDIT FINDINGS AND RECOMMENDATIONS – RICHARD BLAND COLLEGE

Properly Perform Return of Title IV Refunds

Richard Bland College's (Richard Bland's) Financial Aid Office (Financial Aid) inaccurately performed calculations for the return of Title IV student financial aid funds for the spring 2014 semester for students who withdrew from courses and no longer qualified for federal financial aid. During our review, we found that all refunds during this period were improperly calculated. Financial Aid included the incorrect number of days for spring break in their calculation, which caused the incorrect amount to be returned to the Department of Education.

The Code of Federal Regulations, §668.22 (f) (2) (i), states "the total number of calendar days in a payment period of period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

Financial Aid should examine the spring 2014 calculation of Return to Title IV refunds and ensure the proper amounts were returned for each student. Financial Aid should implement adequate training and review of the Department of Education's procedure for calculating Title IV refunds. This along with a second level of review of the academic calendar and scheduled breaks by trained personnel when performing calculations of Title IV refunds will help avoid such errors from occurring in future.

Improve the Financial Reporting Process

Richard Bland does not have adequate internal controls surrounding the financial reporting process. Although improvements have been made over the past two years, during our review we identified the following:

- Adequate policies and procedures for financial reporting did not exist. Richard Bland only relied upon a timeline of submission due dates and templates from the prior year to create their financial statements.
- The trial balance produced from the accounting system (Banner) included data that should have been excluded for financial reporting purposes or had to be re-classified manually in order to avoid misstatement.
- An incorrect reversing journal entry was prepared and submitted to the College of William and Mary (College). This would have caused a misstatement had the College not identified the error.

- A misclassification of revenues totaling \$137,851 based on the nature of the transactions required correction by an audit adjustment.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with general accepted accounting principles (GAAP). GAAP provides the standard framework for financial accounting for use in compiling financial statements and the College should implement policies and procedures to ensure adherence to GAAP. In general, it is a best practice to have procedures outlining the mechanics of each function of the financial reporting process for reference. These procedures should specifically include the employees responsible and instructions on how to perform each role.

By not having a formalized and mature process to produce year-end financial reports, the risk of material misstatements is increased and resulted in misstatement in the current year. Richard Bland has initiated a new financial reporting process to use the reporting capabilities Banner. While this will lead to a more efficient process, this project's implementation is a significant undertaking to accomplish in the course of a year, while still adhering to reporting deadlines.

We recommend Richard Bland produce and implement policies and procedures over financial reporting and thoroughly review all submissions to William and Mary. In addition, Richard Bland should improve the setup of their trial balance reports in Banner, run these reports regularly, and reconcile them to account balances in Banner to ensure accuracy. Where possible, as Richard Bland and the College both use Banner, Richard Bland should consider using the procedures which the College has already developed. The two schools should collaborate on the financial reporting process throughout the year and Richard Bland should seek guidance as necessary.

Continue to Improve Information Security Program

Richard Bland continues to lack an information security program that provides the necessary requirements, guidance, and controls to reasonably secure its mission critical systems and sensitive data. While Richard Bland has made progress since the last audit in addressing some of the previously identified weaknesses, several areas continue to need development to improve and mature the information security program and align it with the Commonwealth's Information Security Standard, SEC501-08 (Security Standard).

We identified and communicated multiple areas of weakness to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to their sensitivity and description of security controls.

We recommend that Richard Bland continue to allocate the necessary resources to develop, align, and implement an information security program with organizational policies and the Security Standard, as well as addressing the weaknesses discussed in the provided FOIAE recommendation.

Comply with the Department of Human Resource Management Policy for Wage Employees

Richard Bland did not properly monitor wage employees' hours to ensure the total hours worked in a year-long period did not exceed 1,500 hours, as required by the Department of Human Resource Management policy 2.20 (Policy). There were two non-benefited employees who worked more than 1,500 hours from May 1, 2013, to April 30, 2014.

The Policy limits non-benefit employees to working no more than an average of 29 hours per week, for a maximum not to exceed 1,500 hours in the one-year measurement period of May 1 to April 30. The Commonwealth developed this policy to ensure compliance with the requirements of the Patient Protection and Affordable Care Act, which will bring penalties for noncompliance beginning in 2015.

Due to the variety of employee types at Richard Bland, and employees working multiple positions, tracking employees' hours to ensure compliance with the 1,500-hour limit will require strong internal controls. To ensure compliance with state and federal requirements, Richard Bland should create policies and procedures to assist in monitoring non-benefit employees to ensure hours do not exceed 1,500 hours annually. Additionally, Richard Bland should create and monitor a standardized report of all non-benefited employees with their hours and alert supervisors as they approach the limit. This will greatly reduce the risk of non-compliance with the Policy.

Improve the myVRS Navigator Reconciliation Process

Richard Bland does not have adequate policies and procedures in place to ensure the accurate reporting of retirement contribution information to the myVRS Navigator (VNAV) System. In addition, reconciliations are not completed prior to confirming the information to the Virginia Retirement System (Retirement System).

Payroll Bulletin 2013-02 from the Department of Accounts states that agencies must certify the contributions information from VNAV is accurate, as this becomes the official basis for the Retirement System's billing amounts, once certified. In addition, it is a best practice to create and document formal policies and procedures to ensure that reconciliations are performed between VNAV and Richard Bland's payroll and human resources systems, all discrepancies are resolved prior to confirmation, and proper segregation of duties is maintained throughout this process.

We recommend that Richard Bland create and enforce policies and procedures to ensure the timeliness of reconciliations to the VNAV system and outline the appropriate individuals responsible for performing this function. This will decrease the risk of providing inaccurate information to the Retirement System.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 27, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
The College of William and Mary

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 the **College of William and Mary in Virginia**, including the **Virginia Institute of Marine Science** and **Richard Bland College** (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 27, 2015. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the College, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting entitled "Properly Perform Return of Title IV Calculations," "Improve Controls over Payments for Travel Expenses," "Improve the Employee Termination Process," "Improve Controls over Timesheet Approval," "Improve the myVRS Navigator Reconciliation Process," "Comply with the Department of Human Resource Management Policy for Wage Employees," "Properly Perform Return of Title IV Refunds," "Improve the Financial Reporting Process," and "Continue to Improve Information Security Program", which are described in the sections titled "Audit Findings and Recommendations – The College of William and Mary," and "Audit Findings and Recommendations – Richard Bland College" that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did identify certain instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, entitled "Properly Perform Return of Title IV Calculations" and "Comply with the

Department of Human Resources Management Policy for Wage Employees,” which are described under the sections titled “Audit Findings and Recommendations – The College of William and Mary” and “Audit Findings and Recommendations – Richard Bland College.”

The College’s Response to Findings

We discussed this report with management at an exit conference held on May 28, 2015. The College’s response to the findings identified in our audit is described in the accompanying sections titled “The College of William and Mary Response” and “Richard Bland College Response.” The College’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The College has not taken adequate corrective action with respect to the previously reported findings “Improve the Employee Termination Process” and “Continue to Improve Information Security Program.” Accordingly, we included these findings in the sections entitled “Audit Findings and Recommendations – The College of William and Mary,” and “Audit Findings and Recommendations – Richard Bland College.” The College has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

BDH/clj



WILLIAM & MARY

CHARTERED 1693

OFFICE OF FINANCE AND ADMINISTRATION

June 8, 2015

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

Dear Ms. Mavredes:

In response to the College of William and Mary's fiscal year 2014 audit findings and recommendations, I hereby provide the following responses for inclusion in the audit report.

- Properly Perform Return of Title IV Calculations.
Management agrees with the auditor's finding. Management will review fall 2013 calculations to ensure proper amounts were returned, initiate training on the Department of Education's procedures for calculating refunds and implement a second level review of the academic calendar and calculations to ensure accurate refunds. The director of financial aid will be responsible for ensuring compliance with Title IV refunds.
- Improve Controls over Payments for Travel Expenses.
Management agrees with the auditor's finding and will train the accounts payable staff on the documentation requirements for processing direct-billed travel expenses including the requirement for an approved travel authorizations form. The director accounting operations will conduct periodic quality assurance reviews. The assistant vice president for financial operations will ensure proper documentation of payments is maintained.
- Improve the Employee Termination Process.
Management agrees with the auditor's finding and continues to enact various actions to enforce and strengthen our policy on employee termination notification. The required termination forms will be maintained in the individual employee's personnel file. The chief human resource officer will be responsible for enacting these changes.
- Improve Controls over Timesheet Approval.
Management agrees with the auditor's finding and will be implementing processes to secure supervisory review, confirmation or change in an employee's timesheet that was super-approved. The chief human resource officer and assistant vice president for financial operations will be responsible for enacting these changes.

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- Improve the myVRS Navigator Reconciliation Process.
Management agrees with the auditor's finding and has developed procedures to ensure the reconciliation process is completed accurately and prior to confirming the information to the Virginia Retirement System. The chief human resource officer and assistant vice president for financial operations will be responsible for enacting these changes.
- Comply with the Department of Human Resources Management Policy for Wage Employees.
Management agrees with the auditor's finding and is developing a standardized report for monitoring employee hours to ensure they do not exceed 1,500 hours. The chief human resource officer will ensure employee are effectively monitored.

Please contact me should you have any questions.

Sincerely,



Samuel E. Jones
Senior Vice President for Finance and Administration



Richard Bland College
of William & Mary

June 10, 2015

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

Dear Ms. Mavredes:

In response to the College's fiscal year 2014 audit findings and recommendations, I hereby provide the following responses for inclusion in the audit report.

- Improve Calculations of Return of Title IV Refunds
Management agrees with the auditor's finding and has reviewed them with the appropriate managers and staff. Spring 2014 calculations were reviewed and corrected resulting in the return of funds to Richard Bland College. The College's Chief Operations Officer will continue to enhance our quality assurance process to ensure compliance with policy.
- Improve the Financial Reporting Process
Management agrees with the auditor's findings. The Director of Financial Operations will continue to enhance our policies and procedures to ensure the preparation and fair representation of our financial statements in accordance with general accepted accounting principles (GAAP).
- Continue to Improve Information Security Program
Management agrees with the auditor's findings. The College's Chief Information Officer continues to take measures to improve and mature the information security program.
- Improve the myVRS Navigator Reconciliation Process
Management agrees with the auditor's findings and has already implemented changes. The College's Director of Human Resources and the Director of Financial Operations are responsible for creating and enforcing policies and procedures to decrease the risk of providing inaccurate information.
- Comply with the Department of Human Resources Management Policy for Wage Employees
Management agrees with the auditor's findings and has implemented use of the Payroll Audit Tool. The College's Director of Financial Operations will be responsible for continued compliance to this policy.

Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Debra Kaufman".

Debra Kaufman, Chief Operations Officer

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

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