

AUDIT SUMMARY

Our audit of George Mason University for the year ended June 30, 1998, found:

- The financial statements are presented fairly, in all material respects.
- Internal control matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses.
 - We recommend the University continue its emphasis on the Year 2000 initiative.
 - We recommend the University update its information technology plan before proceeding further on major information technology projects.
 - We recommend the University undertake and document a comprehensive risk assessment, business impact analysis, and contingency plan for all information systems.
- No instances of noncompliance with applicable laws and regulations that are required to be reported.
- Adequate progress toward corrective action taken for prior audit findings, although significant matters remain to be addressed as reported in the reportable conditions.

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UNIVERSITY OFFICIALS

March 5, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
George Mason University

We have audited the accounts and records of **George Mason University** as of and for the year ended June 30, 1998, and submit herewith our complete reports on financial statements and compliance and internal controls.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of George Mason University as of June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George Mason University as of June 30, 1998, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Auxiliary Enterprises - Revenues and Expenditures is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of George Mason University as of and for the year ended June 30, 1998, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards. We also determined the status of audit findings contained in our prior year report.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the section entitled "Internal Control Findings and Recommendations."

We believe none of these reportable conditions is a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected promptly by employees in the normal course of performing their duties. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

The University has not completed corrective action with respect to the previously reported findings, Continue Emphasis on the Year 2000 Initiative, Develop an Information Technology Plan, and Complete a Risk Assessment, Impact Analysis, and Contingency Plan for All University Information Systems. Accordingly, we repeat these findings in the section entitled "Internal Control Findings and Recommendations."

This report is for the information of the Governor and General Assembly, Board of Visitors, audit committee, management, and the people of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on May 20, 1999.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Continue Emphasis on the Year 2000 Initiative

We reported in our prior report several concerns about the readiness of the University's information systems regarding the Year 2000 date change. University Computing and Information Systems (UCIS) has made significant progress toward ensuring that all mission critical administrative information systems will be Year 2000 compliant. UCIS reported that they installed all of the vendor-provided software upgrades, except for one operating system module that they will install in June 1999. UCIS has also tested each module installation using test data sets. In May 1999, UCIS plans to contract with a consultant to provide independent verification and validation of the entire administrative systems for Y2K readiness. UCIS plans to have Y2K compliant administrative systems fully implemented by July 1999.

UCIS is also conducting a University-wide assessment and repair of departmental computer systems and equipment with embedded chip technologies. Management has delegated responsibility for Y2K compliance assurance of the departmental systems and equipment to each department head. As of March 1999, many departments have reported that they have not completed the identification of mission critical software applications, computers, scientific equipment, suppliers, business partners, and other embedded chip technologies.

While the failure of many of these systems and equipment may not result in the University being unable to provide critical services, failure may result in significant costs for emergency repairs and significant reduction in the quality of services. University management and UCIS should continue to closely monitor the progress of the Y2K project, especially at the departmental level.

Develop an Information Technology Plan

In our previous audit report, we stated that the University had not updated its Information Technology Plan since May 1995. We also reported that the plan did not reflect current strategies and management direction. Because of the resource commitments necessary to complete Y2K implementation and management's continued consideration of replacement of the administrative systems, UCIS decided not update the Technology Plan at this time.

The University should update its Information Technology Plan before progressing further on major information technology projects. UCIS plans to complete its update of the plan after the completion of the Y2K projects.

Complete a Risk Assessment, Impact Analysis, and Contingency Plan for All University Information Systems

The University lacks a comprehensive risk assessment, business impact analysis, and contingency plan covering its mission critical administrative systems. UCIS has completed several portions of such a document; however, it is incomplete and does not adequately assess risks of data theft, corruption or destruction by hackers and vendors, and does not detail a complete contingency plan in the event of a disaster, or equipment and software failure. Without such a plan, the University risks not resuming business activity promptly by either recovering its computing capability or using alternate procedures. Further, without a proper risk assessment, unknown threats could result in alteration, theft, or destruction of valuable information resources.

The University should undertake and document a comprehensive risk assessment, business impact analysis, and contingency plan which assesses all risk for its information systems and develops appropriate actions to be taken in the each event. Council on Information Management Standard 95-1 provides guidance in establishing such a plan.