



THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

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

We have audited the consolidated financial statements of The College of William and Mary in Virginia, as of and for the year ended June 30, 2019, and issued our report thereon, dated May 14, 2020. The consolidated financial statements of The College of William and Mary in Virginia include the financial activity of The College of William & Mary in Virginia (William & Mary), Virginia Institute of Marine Science, and Richard Bland College (Richard Bland), which report to the Board of Visitors of The College of William and Mary in Virginia. Our report, included in the basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at William & Mary's website at www.wm.edu. Our audit found:

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

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

WILLIAM & MARY

Improve Operating System Logging and Monitoring Controls

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

William & Mary does not implement certain logging and monitoring controls for the operating system that supports its accounting and financial reporting system in accordance with its adopted security standard, the International Organization for Standardization and International Electrotechnical Commission Standard, ISO/IEC 27002 (ISO Standard). We communicated four control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The ISO Standard requires monitoring and logging controls to protect the confidentiality, integrity, and availability of sensitive and mission critical data.

William & Mary upgraded infrastructure components for its accounting and financial reporting system, but experienced time constraints resulting in the need to expedite the upgrade process. Due to the time constraints, William & Mary did not prioritize the implementation of certain logging and monitoring controls for the operating system, but has plans to address the weaknesses by July 2020. William & Mary should continue its efforts to implement the controls discussed in the communication marked FOIAE in accordance with the ISO Standard. Implementing the recommended controls will help to ensure the confidentiality, integrity, and availability of its sensitive and mission critical data.

RICHARD BLAND

Continue Improving Oversight of IT Third-Party Service Providers

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Partial (first issued in fiscal year 2018, with limited progress)

Richard Bland is making progress to improve its oversight over third party information technology (IT) service providers (providers) to gain assurance the providers have adequate security controls to protect Richard Bland's sensitive data. Richard Bland relies on several providers for mission-critical business functions, such as its Online Learning Center and Point of Sales systems.

During the previous audit, we recommended that Richard Bland develop a process to maintain oversight of its providers. The Virginia Information Technologies Agency requires executive branch agencies to use its Enterprise Cloud Oversight Services (ECOS) to provide assurance over providers offering software as a service. While the transition is in progress, ECOS has not yet taken responsibility for oversight for all of Richard Bland's providers.

The Commonwealth's Hosted Environment Information Security Standard, SEC 525 (Hosted Environment Security Standard), section 1.1, states Richard Bland remains accountable for maintaining compliance with Hosted Environment Security Standard through documented agreements with providers and oversight of services provided. Additionally, the Hosted Environment Security Standard, section SA-9-COV-3, requires Richard Bland to perform a security audit or review an audit report of a provider's environment on an annual basis.

Without proper oversight, providers lack external accountability for implementing and maintaining effective security controls for protecting sensitive data. Richard Bland should continue the process to transition to ECOS, which will help to provide assurance over providers and bring Richard Bland into compliance with the Hosted Environment Security Standard.

Continue to Strengthen Internal Controls over Federal Cash Management

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Partial (first issued in fiscal year 2017, with significant progress)

Richard Bland is making progress towards addressing the deficiency communicated in our prior year audit report regarding the timely disbursement of federal funds and performance of monthly Pell grant (Pell) and Federal Direct Loan (FDL) reconciliations. Between July 2018 and June 2019, Richard Bland received approximately \$5.8 million from the U.S. Department of Education (Education) in federal financial assistance for the Pell and FDL programs. During this period, Richard Bland did not maintain adequate documentation to support that they disbursed student federal financial aid to student accounts timely. In addition, Richard Bland could not provide documentation to show that they performed Pell or FDL reconciliations throughout fiscal year 2019. However, at the beginning of fiscal year 2020, Richard Bland implemented a number of processes to ensure timely disbursement of federal financial assistance and reconciliation of the Pell and FDL programs.

In accordance with 34 CFR §668.162, an institution must submit a request for funds that does not exceed the amount of the disbursements the institution has made to students or parents included in that request. As part of that request, an institution must identify the specific students or parents included in the drawdown request. Additionally, in accordance with 34 CFR 685.300(b)(5), a school that participates in the FDL program is required to monthly reconcile funds received from the G5 system to pay its students with actual disbursement records submitted to the Common Origination and Disbursement System (COD). Differences between the two systems are reported as an Ending Cash Balance (ECB) in the School Account Statement (SAS) provided by COD. Education's Student Financial Aid Handbook requires institutions to document and explain any ECB reported in the SAS, if applicable. Finally, chapter five in volume four of Education's Student Financial Aid Handbook states that Pell reconciliations should occur regularly, with a recommendation of at least monthly.

During fiscal year 2019, the Financial Aid Office did not have adequate policies and procedures in place to ensure timely disbursement of federal financial assistance. During fiscal year 2020, Richard Bland implemented policies and procedures to ensure the timely disbursement of federal financial aid

and the reconciliation of the FDL and Pell programs; however, our testing performed over the first half of fiscal year 2020 showed Richard Bland did not always follow its policies and procedures to ensure reconciliation of the reported ECB for the Pell or FDL programs. Not adhering to Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

Richard Bland should continue to implement its policies and procedures to follow all provisions covered by 34 CFR §668.162 and volume four of Education's Student Aid Handbook which include a monthly reconciliation of funds received from G5 to disbursement records from COD through a reconciliation of the program's ECB.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 14, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The College of William and Mary in Virginia

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** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise The College of William and Mary in Virginia's basic financial statements and have issued our report thereon dated May 14, 2020. 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, 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 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 internal control over financial reporting. Accordingly, we do not

express an opinion on the effectiveness of the College of William and Mary in Virginia's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Improve Operating System Logging and Monitoring Controls," "Continue Improving Oversight of IT Third-Party Service Providers," and "Continue to Strengthen Internal Controls over Federal Cash Management," 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Improve Operating System Logging and Monitoring Controls," "Continue Improving Oversight of IT Third-Party Service Providers" and "Continue to Strengthen Internal Controls over Federal Cash Management."

William & Mary and Richard Bland's Response to Findings

We discussed this report with management at an exit conference held on April 16, 2020. The responses to the findings identified in our audit is described in the accompanying sections titled "William & Mary Response" and "Richard Bland Response." The responses were 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

Richard Bland has not taken adequate corrective action with respect to the previously reported findings “Improve Oversight over IT Third-Party Service Providers” and “Strengthen Internal Controls over Federal Cash Management.” Accordingly, we included these findings in the section entitled “Internal Control and Compliance Findings and Recommendations.” William & Mary and Richard Bland have 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.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

EMS/clj



WILLIAM & MARY

CHARTERED 1693

OFFICE OF FINANCE AND ADMINISTRATION

April 29, 2020

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

Dear Ms. Mavredes:

After reviewing William & Mary's (university) fiscal year 2019 audit finding and recommendation, I hereby provide the following response for inclusion in the audit report:

Improve Operating System Logging and Monitoring Controls

Management agrees with the auditor's finding relating to Improve Operating System Logging and Monitoring Controls. The university will address all of the findings to ensure the confidentiality, integrity, and availability of its sensitive and mission critical data.

Please contact me should you have any questions.

Sincerely,

Samuel E. Jones
Senior Vice President for Finance and Administration

Cc: Amy S. Sebring
Kent B. Erdahl
Bernadette M. Kenney
Melanie T. O'Dell



Richard Bland College of WILLIAM & MARY

Office of Finance

May 4, 2020

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

Dear Ms. Mavredes:

Richard Bland College (RBC) has reviewed the Internal Control and Compliance Findings and Recommendations provided by the Auditor of Public Accounts for the fiscal year ended June 30, 2019. Management agrees with the findings submitted. I hereby provide the following response for inclusion in the audit report:

Continue Improving Oversight of IT Third-Party Service Providers

RBC has been working with the Enterprise Cloud Oversight Service (ECOS) department of the Virginia Information Technologies Agency (VITA) on Provider compliance and transitioning oversight of third-party service providers (Providers) to ECOS. The transition to ECOS continues. Until the transition is complete, RBC will ensure it has a process in place for maintaining oversight and assuring the Providers have adequate security controls to protect RBC's sensitive data.

Continue to Strengthen Internal Controls over Federal Cash Management

RBC has addressed the deficiency noted in the prior year audit report and has developed adequate policies and procedures for ensuring timely disbursement of federal financial assistance and reconciliation of the Pell Grant and Direct Loan programs. Under the current procedures, the Finance Department (Finance) and the Financial Aid Department (Financial Aid) both have mutually exclusive reconciliations that are produced; though, to date, the results of those separate reconciliations have not been combined into a single comprehensive reconciliation at the conclusion of the monthly process. Finance will work with Financial Aid to amend the developed procedures to include a single, comprehensive reconciliation at the end of the monthly process. RBC is evaluating policies and procedures and revising accordingly to implement best practices.

Please contact me should you have any questions.

Sincerely,

Paul S. Edwards
Chief Business Officer

11301 Johnson Road, South Prince George, Virginia 23805
804-862-6100 | RBC.edu

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

As of June 30, 2019

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