



THE COLLEGE OF WILLIAM & MARY IN VIRGINIA

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the consolidated basic financial statements of The College of William & Mary in Virginia, as of and for the year ended June 30, 2020, and issued our report thereon, dated May 27, 2021. The consolidated basic financial statements of The College of William & 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 & Mary in Virginia. Our report, included in the consolidated 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 required to be reported under Government Auditing Standards.

Our audit also included testing over federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Internal Controls over Conflict of Interests Act Requirements

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

William & Mary does not have a sufficient process to identify and track individuals in a position of trust, which is necessary to ensure such individuals satisfy Statement of Economic Interest (SOEI) form requirements. Additionally, William & Mary does not maintain adequate internal records to monitor and ensure employees complete ethics and conflict of interest (COIA) training required by the Code of Virginia. For a selection of 72 employees who appeared to occupy a position of trust, William & Mary could not provide documentation to show 22 employees (31%) completed COIA training within the required timeframe. Additionally, training files did not include a training completion date or included a date more than two years old for six out of 17 mandatory filers reviewed (35%). Four of the 72 reviewed employees (6%) who appeared to occupy a position of trust did not appear on the COIA filer listing as needing to file a disclosure form and complete required COIA training.

Pursuant to § 2.2-3114.A and § 2.2-3118.2 of the Code of Virginia, persons occupying positions of trust within state government shall file a disclosure statement of their personal interests and such other information required on the form with the Virginia Conflict of Interest and Ethics Advisory Council, as a condition to assuming office or employment, on or before the day such office or position of employment is assumed, and thereafter shall file such a statement annually on or before February 1. Executive Order Number Eight (2018) indicates positions of trust for institutions of higher education include Presidents, Vice Presidents, Provosts, Deans, and any other person as designated by the institution including those persons with approval authority over contracts or audits. Additionally, § 2.2-3129 and § 2.2-3130 of the Code of Virginia require employees in a position of trust to complete an ethics and conflict of interest training course, initially within two months of hire, and thereafter on a biennial basis. Per § 2.2-3129 of the Code of Virginia, agencies must maintain the training records for a period of not less than five years to confirm that employees have completed the course as required.

Without appropriately identifying positions of trust and ensuring those employees are completing the required training, William & Mary could be susceptible to actual or perceived conflicts of interest and may be limited in its ability to hold its employees accountable for failing to recognize and resolve conflicts of interest. Additionally, employees and board members could be subject to penalties for inadequate disclosure on their filings, as outlined within § 2.2-3120 through § 2.2-3127 of the Code of Virginia.

The current controls for identifying positions of trust at William & Mary did not adequately identify all potential job positions that should require the employee to file an SOEI form and complete the required training. In addition, there has been turnover within the COIA agency coordinator position, which resulted in a delay in both documentation and tracking.

William & Mary should improve existing internal controls and procedures to ensure the identification of employees in positions of trust occurs on or before an employee's first day of employment and that the employee subsequently files an SOEI form. William & Mary should also ensure that an adequate tracking mechanism exists to ensure filers are completing their required training and to maintain documentation which provides evidence of compliance with training requirements.

Improve Notification Process for Federal Direct Loan Awards to Students

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The William & Mary Financial Aid Office did not properly notify students awarded Federal Direct Loans for 10 out of 10 borrowers tested (100%) that received loans on August 28, 2019, or January 22, 2020. The Code of Federal Regulations (C.F.R.) requires written award notifications to students, which include important details on the rights, options, and requirements of the student loan.

34 C.F.R. § 668.165(a)(2), requires institutions to properly notify students receiving Federal Direct Loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Failure to properly notify students in accordance with federal regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

The Financial Aid Office uses an automated system to send the required notifications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of notifications to students following the posting of disbursements. Consequently, staff have not been aware of a programming language error within the automated system that prevents the creation of a batch of notifications for borrowers receiving direct loans when certain criteria has not been met. The Financial Aid Office determined the automated system did not send notifications to students in three of 172 batches during aid year 2020.

The Financial Aid Office should revisit the programming language that triggers the loan notification process to ensure proper notification to all students receiving Federal Direct Loans.

Properly Complete Verification Prior to Disbursing Federal Financial Aid

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The William & Mary Financial Aid Office did not properly complete the verification process prior to disbursing aid for four out of 25 students tested (16%) resulting in over awards of Pell grants totaling \$1,989. In three instances, staff oversight contributed to the errors, while a keying error coupled with inadequate programming rules used for tracking group purposes in the automated system contributed to the error for the fourth student tested.

In accordance with 34 C.F.R. § 668.54 and 34 C.F.R. § 668.56, an institution must require an applicant whose Free Application for Federal Student Aid (FAFSA) information has been selected for verification to verify certain selected information. United States (U.S.) Department of Education Dear Colleague Letter GEN-18-3 outlines the 2019-2020 award year FAFSA information required to be verified and the acceptable documentation by Verification Tracking Flag and Verification Tracking Group. By not performing the necessary verification, the University may improperly provide financial aid disbursements to students based on inaccurate information resulting in potential over awards of federal financial aid.

Financial Aid Office personnel should seek additional training for obtaining and reviewing mandatory documentation for students selected for verification. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review process to monitor the proper completion of the verification process.

Properly Complete Exit Counseling for Direct Loan Borrowers

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The William & Mary Financial Aid Office did not confirm that two of two Federal Direct Loan borrowers (100%) that withdrew completed online exit counseling. Consequently, the Financial Aid Office did not provide the required exit counseling materials to these students. The Financial Aid Office does not have procedures in place to monitor whether student borrowers who withdraw complete the online counseling and, if necessary, to send the loan counseling materials to the students.

In accordance with 34 C.F.R. § 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. By not performing this function, students may not receive the relevant information related to repayment of their student loans.

Management should develop and implement policies and procedures that align with federal regulations to improve exit counseling for loan borrowers that withdraw from the University.

Reconcile Federal Aid Programs

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

William & Mary personnel were unable to provide sufficient documentation showing monthly reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. Specifically, we noted the following deficiencies:

- The Bursar's Office could not provide documentation of its reconciliations of William & Mary's accounting records with the U.S. Department of Education's G5 system and its bank account. The Bursar's office reconciles its records to G5 when a drawdown occurs.
- The Financial Aid Office could not provide documentation of monthly reconciliations of its records with the School Account Statement (SAS) received from the U.S Department of Education's Common Origination and Disbursement (COD) system. William & Mary retained the monthly SAS reports from COD, but could not provide audit evidence to demonstrate proper review and agreement of the reports to William & Mary's records.

In accordance with 34 C.F.R. § 685.300(b)(5) and 34 C.F.R. § 685.102(b), institutions must reconcile institutional records with Direct Loan funds received and Direct Loan disbursement records submitted and accepted. Each month, COD provides universities with a SAS data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Federal Student Financial Aid Handbook, Chapter 6 (Reconciliation in the Direct Loan Program), details the required reconciliation requirements.

By not documenting a monthly reconciliation of federal Direct Loans, William & Mary increases the risk of not identifying issues and resolving them before they become a more significant problem. Systemic problems can result in federal non-compliance that leads to potential adverse actions and may impact participation by the institution in the U.S. Department of Education's Title IV programs.

The Bursar's Office and Financial Aid Office should perform and retain sufficient documentation of their monthly reconciliations and resolve reconciling items between William & Mary's financial systems, G5, and COD records in a timely manner to ensure compliance with federal regulations. In addition, William & Mary should consider a secondary review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 27, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The College of William & 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 & Mary in Virginia** (William & Mary) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise William & Mary's consolidated basic financial statements and have issued our report thereon dated May 27, 2021. 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 (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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entitled "Improve Internal Controls over Conflict of Interests Act Requirements," "Improve Notification Process for Federal Direct Loan Awards to Students," "Properly Complete Verification Prior to Disbursing Federal Financial Aid," "Properly Complete Exit Counseling for Direct Loan Borrowers" and "Reconcile Federal Aid Programs," 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 William & Mary's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings and recommendations entitled "Improve Internal Controls over Conflict of Interests Act Requirements," "Improve Notification Process for Federal Direct Loan Awards to Students," "Properly Complete Verification Prior to Disbursing Federal Financial Aid," "Properly Complete Exit Counseling for Direct Loan Borrowers" and "Reconcile Federal Aid Programs."

The University's Response to Findings and Recommendations

We discussed this report with management at an exit conference held on April 14, 2021, and provided a draft report on June 16, 2021. William & Mary's response to the findings and recommendations identified in our audit is described in the accompanying section titled "William & Mary Response." William & Mary'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 and Recommendations

William & Mary and Richard Bland have taken adequate corrective action with respect to audit findings and recommendations reported in the prior year.

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

EMS/vks



June 23, 2021

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

Dear Ms. Henshaw:

After reviewing William & Mary's (university) fiscal year 2020 audit findings and recommendations, I hereby provide the following responses for inclusion in the audit report:

Improve Internal Controls over Conflict of Interests Act (COIA) Requirements

Management agrees with the auditor's finding and the university will centralize the determination process within a single department to identify new and existing positions that should be designated as positions of trust to ensure proper evaluation as proscribed by Executive Order Number Eight (2018). By reassigning the COIA Coordinator responsibilities and establishing a clear point of contact, W&M will be able to ensure proper identification of impacted employees; notification of filing requirements and the tracking and documentation of required training. The university will review and update any procedures to ensure compliance.

Improve Notification Process for Federal Direct Loan Awards to Students

Management agrees with the auditor's finding and has already enhanced the automated programming language identified in the audit. The university will enhance its quality assurance processes to ensure compliance with loan disbursement communication.

Properly Complete Verification Prior to Disbursing Federal Financial Aid

Management agrees with the auditor's finding and has already taken action to return to the Common Origination and Disbursement System the Pell Grants impacted during verification testing. Staff training will continue and a quality assurance process will be developed related to verification of student files.

Properly Complete Exit Counseling for Direct Loan Borrowers

Management agrees with the auditor's finding and has taken steps to enhance compliance in regard to Exit Counseling communication requirements.

Reconcile Federal Aid Programs

Management agrees with the auditor's finding relating to Reconcile Federal Aid programs. The university will formalize the documentation to support its current reconciliation process between university records and G5.

Please contact me should you have any questions.

Sincerely,



Amy S. Sebring
Chief Operating Officer

Cc: Kent B. Erdahl
Joe Dobrota
Melanie T. O'Dell

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

As of June 30, 2020

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ADMINISTRATIVE OFFICIALS

The College of William & Mary in Virginia

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Samuel E. Jones, Senior Vice President for Finance and Administration

Richard Bland College

Debbie L. Sydow, President

*Only voting members included. Ex-officio and non-voting members not listed.