

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2012**



AUDIT SUMMARY

Our audit of the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College, for the year ended June 30, 2012, found:

- the financial statements are presented fairly, in all material respects;
- certain matters involving internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College, as of and for the year ended June 30, 2012, and issued our report thereon, dated April 9, 2013. Our report, included in the College's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the College's website at <http://www.wm.edu/>.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve the Financial Reporting Process

Richard Bland College (Richard Bland) uses a manual process of developing year-end financial reports and does not have adequate policies and procedures surrounding the process. Each year, Richard Bland uses printouts of account balances which they manually enter into a financial statement template to be provided to the College of William and Mary for inclusion in the group financial statements.

Richard Bland uses Banner Finance as their originating general ledger system, and it has the capability to produce the financial statements directly from the system. Using a manual process for creating the financial statements increases the risk of material misstatement due to human error. Without an established procedure to create these year-end reports, inconsistency of reporting from year to year is possible. In addition, efficiency can be gained by eliminating the manual entry of the data.

Richard Bland should seek guidance from the College of William and Mary (William and Mary) as these entities are governed by the same Board of Visitors and are jointly responsible for the presentation of the combined financial statements. Richard Bland and William and Mary should establish a more collaborative process to ensure activity related to Richard Bland is properly reported in the combined financial statements. As William and Mary must rely on reports provided by Richard Bland in order to produce the combined financial statements, William and Mary should gain an understanding of the process by which these reports are produced to ensure the information being provided can be relied upon.

We recommend that Richard Bland improve their financial reporting procedure by eliminating manual data entry and develop an established set of procedures to guide this process. William and Mary's financial reporting procedures adequately document the mechanics of their own process and Richard Bland should work to develop a similar process. In addition, we recommend the schools have periodic communications surrounding Richard Bland's financial activity to discuss the manner in which the activity is to be reported in the financial statements.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 9, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
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 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, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 9, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with 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. 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

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting entitled "Improve the Financial Reporting Process", which is described in the section titled "Internal Control Findings and Recommendations," that we consider to be a significant deficiency in internal control over financial reporting. 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.

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 disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The College's response to the finding identified in our audit is included in the section titled "College Response." We did not audit the College's response and, accordingly, we express no opinion on it.

Status of Prior Findings

The College has taken adequate corrective action with respect to audit findings reported in the prior year.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on April 12, 2013.

AUDITOR OF PUBLIC ACCOUNTS

LJH/clj



The College Of

WILLIAM & MARY

CHARTERED 1693

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

OFFICE OF FINANCE

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May 20, 2013

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

Dear Ms. Mavredes;

Enclosed is the College's response to the FY 2012 audit finding. I am available to address any questions that may arise.

Sincerely,

Samuel E. Jones
Vice President for Finance

cc: Ms. Laurie Hicks

The College of William and Mary
Corrective Action Plan
Fiscal Year 2012 Audit

Audit Finding: Improve the Financial Reporting Process

Richard Bland College (Richard Bland) uses a manual process of developing year-end financial reports and does not have adequate policies and procedures surrounding the process. Each year, Richard Bland uses printouts of account balances which they manually enter into a financial statement template to be provided to the College of William and Mary for inclusion in the group financial statements.

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Richard Bland should seek guidance from the College of William and Mary as these entities are governed by the same Board of Visitors and are jointly responsible for the presentation of the combined financial statements. Richard Bland and the College of William and Mary should establish a more collaborative process to ensure activity related to Richard Bland is properly reported in the combined financial statements. As the College of William and Mary must rely on reports provided by Richard Bland in order to produce the combined financial statements, the College should gain an understanding of the process by which these reports are produced to ensure the information being provided can be relied upon.

Management's Response:

In response to the Internal Control Finding, the administration of Richard Bland College (RBC) acknowledges the recommendations of the Auditor of Public Accounts (APA) pertaining to its examination of the financial statements for the year ending June 30, 2012. These recommendations focus on improving the financial reporting process and internal controls at RBC by establishing effective financial reporting processes, by developing documentation to record these processes for consistent application, and by implementing appropriate electronic protocols to produce financial statements directly from the Banner Finance system. Preliminary efforts to improve financial reporting processes have already begun, and the RBC administration intends to fully address APA concerns while consulting with College of William & Mary staff and others as necessary. RBC will use newly developed protocols and database to produce the FY 2014 financial statements.

At the same time, the Board of Visitors and the administrations of William and Mary and Richard Bland College suggests that, effective with FY 2013 audit activity, the Auditor of Public Accounts conduct separate, independent audits of the two institutions based on individually published financial statements. This action recognizes that while William and Mary and Richard Bland are governed by the same Board of Visitors, they are in fact two separate institutions with their own state agency codes, state authorized operating and capital budgets, presidents, and financial infrastructure. The College plans to submit this request after reviewing various accounting standards in the immediate future.

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

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LeAnn Binger, Provost and Dean of Faculty

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