

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2009**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of The College of William and Mary in Virginia, including Richard Bland College and the Virginia Institute of Marine Science, for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles;
- certain matters that we consider to be significant deficiencies in internal control; however, we do not consider them to be material weaknesses;
- no instances of noncompliance or other matters required to be reported; and
- the College has not yet completed the corrective action with respect to the previously reported finding “Improve Financial Reporting”. Accordingly, we have repeated the finding in this report.

We have audited the basic financial statements of The College of William and Mary in Virginia as of June 30, 2009, and for the year then ended and issued our report thereon dated April 12, 2010. Our report, included with the College’s basic financial statements, is available at the Auditor of Public Accounts’ web site at www.apa.virginia.gov and at the College’s web site at www.wm.edu.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Continue to Improve Financial Reporting

The College continues to have significant problems in preparing its annual financial statements. The Department of Accounts (Accounts) reviews the College's financial statements as it prepares the Commonwealth's Comprehensive Annual Financial Report. In the process of reviewing and finalizing the College's fiscal year 2009 financial statements, the College and Accounts identified issues that required the College to make changes to its initially submitted financial statements. We analyzed the nature of these corrections and identified three concerns.

- Turnover is a continuing challenge within the financial reporting area. As we noted in our report two years ago, College senior management must take action to retain existing staff, provide cross training so that more than one staff person understands each aspect of the financial statement preparation process and, as necessary, add qualified staff to the financial reporting area. Stemming turnover should provide management the time necessary to analyze and review the draft statements and identify errors and misclassifications that require correction before submitting the final financial statements to Accounts.
- College financial reporting staff must complete their project to document the various tasks and functions that go into financial statement preparation. This documentation must include checklists for review and the procedures must include high level analytical review to ensure the proper inclusion of all adjustments and proper classification of all accounts. While there has been some progress in completing these procedures, the College must finalize, test, and maintain these procedures.
- College senior management must work closely with the College's related foundations to ensure that the foundations provide accurate, timely information for inclusion in the College's financial statements. Financial information from the foundations is an integral part of the College's complete financial statements and without accurate, timely information; the College's submitted financial statements will continue to require unnecessary last-minute adjustments.

We again recommend that College senior management continue to review the financial reporting function and ensure that sufficient resources are devoted to this function so that the College can prepare prompt and accurate financial statements. Senior management must also support this function by providing resources to complete the project to document the financial statement preparation process. Senior management must also directly work with the College's foundations to ensure that the foundations provide timely, accurate information for inclusion in the College's financial statements. These recommendations will allow the College to continue to meet the State Comptroller's financial reporting directive, the basic financial management requirements of the Higher Education Restructuring Act and the performance measures set by the Virginia General Assembly for state-supported universities.

Complete Formal Capital Asset Policies and Procedures

On July 1, 2008, the College replaced its legacy fixed asset system, FAACS, with the Banner Fixed Assets Module. The Office of Property Control (Property Control) has not completed its project to develop formal written policies and procedures outlining its business processes and internal controls. Currently, Property Control continues to refer to the Commonwealth Accounting Policies and Procedures (CAPP) Manual for guidance on controls and procedures relating to capital assets. While this Manual outlines sound

internal control procedures, Property Control should have policies and procedures tailored to the Banner Fixed Assets Module and the individual circumstances at the College.

We recommend that Property Control complete policies and procedures to reflect the College's specific business processes and internal control structure within its operations of the Banner Fixed Assets Module. Formal policies and procedures allow College management to determine that the College has proper internal controls and that all employees are aware of what the College considers best practices and what procedures they should follow.



Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

April 12, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
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 Richard Bland College and the Virginia Institute of Marine Science, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 12, 2010. Our report was modified to include 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies entitled "Continue to Improve Financial Reporting" and "Complete Formal Capital Asset Policies and Procedures", which are described in the section titled "Internal Control and Compliance Findings and Recommendations", to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

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 findings 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 not yet completed the corrective action with respect to the previously reported finding "Continue to Improve Financial Reporting". Accordingly, we included this finding in the section entitled "Internal Control and Compliance Findings and Recommendations."

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 8, 2010.

JHS/clj

AUDITOR OF PUBLIC ACCOUNTS



The College Of
WILLIAM & MARY

CHARTERED 1693

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

OFFICE OF FINANCE

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April 14, 2010

Mr. David Von Moll
State Comptroller
Department of Accounts
P.O. Box 1971
Richmond, VA 23218-1971

Dear Mr. Von Moll:

Enclosed is our corrective action plan for the management points included in the Auditor of Public Accounts' fiscal year 2009 audit of the College of William and Mary. This plan is being submitted in accordance with section 10205 of the CAPP manual.

Sincerely,

Samuel E. Jones
Vice President for Finance

attachment

cc: Secretary of Education
Director of Planning and Budget
Auditor of Public Accounts

The College of William and Mary
Audit Corrective Action Plan
Fiscal year 2009

1. Continue to Improve Financial Reporting

The College continues to have significant problems in preparing its annual financial statements. The Department of Accounts (Accounts) reviews the College's financial statements as it prepares the Commonwealth's Comprehensive Annual Financial Report. In the process of reviewing and finalizing the College's fiscal year 2009 financial statements, the College and Accounts identified issues that required the College to make changes to its initially submitted financial statements. We analyzed the nature of these corrections and identified three concerns.

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- College financial reporting staff must complete their project to document the various tasks and functions that go into financial statement preparation. This documentation must include checklists for review and the procedures must include high level analytical review to ensure the proper inclusion of all adjustments and proper classification of all accounts. While there has been some progress in completing these procedures, the College must finalize, test, and maintain these procedures.
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We again recommend that College senior management continue to review the financial reporting function and ensure that sufficient resources are devoted to this function so that the College can prepare prompt and accurate financial statements. Senior management must also support this function by providing resources to complete the project to document the financial statement preparation process. Senior management must also directly work with the College's foundations to ensure that the foundations provide timely, accurate information for inclusion in the College's financial statements. These recommendations will allow the College to continue to meet the State Comptroller's financial reporting directive, the basic financial management requirements of the Higher Education Restructuring Act and the performance measures set by the Virginia General Assembly for state-supported universities.

Management's Response:

The College's management agrees with the auditors comments. The following actions are being taken to address the concerns;

- completing the recruitment process for the two financial reporting positions currently vacant,
- recruiting for the new positions of a documentation specialist and a reporting analyst to address the documentation of financial statement processes and the system-based reporting needs, and

The College of William and Mary
Audit Corrective Action Plan
Fiscal year 2009

- meeting with the related foundations on the timing of the College's receipt of their audited financial statements to eliminate adjusting entries.

Corrective Action Completion Dates:

- May 2010 – Meeting with the foundations
- June 2010 - two vacant positions filled
- July 2010 – documentation specialist and reporting analyst positions filled

Responsible Persons:

Samuel E. Jones, Vice President for Finance

E. A. Brummer, Director Financial Operations

2. Complete Formal Capital Asset Policies and Procedures

On July 1, 2008, the College replaced its legacy fixed asset system, FAACS, with the Banner Fixed Assets Module. The Office of Property Control (Property Control) has not completed its project to develop formal written policies and procedures outlining its business processes and internal controls. Currently, Property Control continues to refer to the Commonwealth Accounting Policies and Procedures (CAPP) Manual for guidance on controls and procedures relating to capital assets. While this Manual outlines sound internal control procedures, Property Control should have policies and procedures tailored to the Banner Fixed Assets Module and the individual circumstances at the College.

We recommend that Property Control complete policies and procedures to reflect the College's specific business processes and internal control structure within its operations of the Banner Fixed Assets Module. Formal policies and procedures allow College management to determine that the College has proper internal controls and that all employees are aware of what the College considers best practices and what procedures they should follow.

Management's Response:

The College's management agrees with the auditors comments. The following actions are being taken to address the concerns: complete writing of formal policies and procedures specific to the College, a project which is approximately 80% complete now.

Corrective Action Completion Dates:

June 1, 2010 - 100% completion

Responsible Persons:

Anna Martin, Vice President for Administration

Linda Orr, Procurement Director

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

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