

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**

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 Virginia Institute of Marine Science, for the year ended June 30, 2010, 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
- an instance of noncompliance required to be reported under Government Auditing Standards.

We have audited the basic financial statements of The College of William and Mary in Virginia as of and for the year ended June 30, 2010, and issued our report thereon, dated April 14, 2011. 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 www.wm.edu.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Oracle Database Security

The College of William and Mary does not adequately protect its Oracle databases that store sensitive information, which can create vulnerabilities that expose sensitive data to possible compromises. We compared the College's Oracle database settings to the Center for Internet Security (CIS) Oracle best practices and the ISO/IEC 27002 international information security standard. We identified vulnerabilities in the areas of password complexity controls, monitoring and logging activities, baseline security configuration updates, user account management, and records retention.

We communicated the details of these issues in a separate correspondence to management marked *Freedom of Information Act Exempt* under Section 2.2-3705.2 of the Code of Virginia, due to the sensitivity of the identified security system.

We understand that the College is upgrading its Oracle database using the "CIS Benchmarks, Oracle Baseline Configuration." In converting to the new Oracle system, we recommend the College develop and implement policies and procedures for its Oracle databases, which incorporate the College's risk assessments mitigation strategies for securing sensitive data, and align with the CIS Benchmarks and the ISO/IEC 27002 standard. Finally, we recommend that the College dedicate the necessary resources to train its employees in their responsibilities in adhering to the security requirements outlined in the policies and procedures.

Improve Grant Monitoring and Oversight

The College's Office of Grants and Research Administration does not meet all requirements to monitor and oversee their federal research grants. The Grants Office does not follow federal guidelines for monitoring subrecipients and does not submit all required financial reports in a timely manner.

We reviewed seven grants and found four grants where the Grants Office did not have the subrecipient's required annual A-133 audit report. The Grants Office relies on an incorrect computer report to contact subrecipients to obtain their required annual A-133 audit report. Without appropriate monitoring, the Grants Office cannot confirm that subrecipients have adequate controls and procedures in place to comply with federal requirements. Additionally, we reviewed 10 grants at the College and noted that the Grants Office had not submitted the required financial report to their federal granting agency for one grant.

We recommend that the Grants Office work with the Department of Information Technology to improve the accuracy of their subrecipient report listing so that it accurately reports subrecipients for follow-up. The Grants Office should also review their current grants to ensure that they obtain audit reports to ensure that subrecipients are following all federal requirements. Additionally, we recommend that the Grants Office develop a procedure to review grant agreements, and monitor to ensure that grant investigators submit all required financial reports in a timely manner.



Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 14, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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 Virginia Institute of Marine Science, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 14, 2011. 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

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 deficiencies in internal control over financial reporting entitled "Improve Oracle Database Security" and "Improve Grant Monitoring and Oversight," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies 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 an instance of noncompliance that is required to be reported under Government Auditing Standards. This instance of noncompliance, entitled "Improve Grant Monitoring and Oversight" is described in the section titled "Internal Control and Compliance Findings and Recommendations".

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 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, 2011.

AUDITOR OF PUBLIC ACCOUNTS

JS:alh



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April 28, 2011

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

MANAGEMENT PLAN FOR CORRECTIVE ACTION TO ADDRESS
INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Dear Mr. Kucharski:

Please find below the College of William and Mary's management plan for corrective action to address internal control and compliance findings and recommendations included in the FY 2010 audit conducted by your agency.

Improve Oracle Database Security

Management agrees with the auditors comments. When the College upgrades to Oracle 11g it will use the CIS Benchmarks for Oracle 11g Baseline Configuration as a standard for setting password complexity controls, monitoring and logging activities, baseline security configurations, user account management, and records retention. In addition, the College will implement procedures for the regular review of audit logs and user access to detect any suspicious database activity.

Responsible Party: Pete Kellogg, Director of Information Security and Project Management

Estimated Completion Date: August 30, 2011

Improve Grant Monitoring and Oversight

The College's Office of Grants and Research Administration recognizes that it has not met all requirements to monitor and oversee federal research grants. During FY2011, the office has undergone significant personnel and procedural changes. Our plan to upgrade and more closely manage external awards includes the following:

- New administrators are reviewing all awards, establishing new files, and analyzing financial reporting records and reconciliations. In the event financial reports are outstanding, reports will be submitted immediately to move the College into financial compliance with all reporting requirements. Further, attributes are being added to the Banner system to allow each administrator to extract reports with all appropriate information for award management.
- This extensive review includes a census of awards to identify all projects on which the College has subrecipients or for which the College is a subrecipient to ensure complete collection and submission of mandatory A-133 certifications. The accounting system which has been used to track subrecipient data will be verified and updated to ensure accurate and complete information.
- A new database incorporating proposals as well as final award data has been developed and will be used to provide a more robust monitoring system, ensuring that from the inception of a proposal through award, the office will be collecting information and data necessary to track subrecipients. Additionally, the database will include dates for all mandatory scientific and financial reports providing notifications to investigators and administrators.
- Office staff will receive appropriate training to ensure they understand A-133 requirements. One staff member will serve as the central point of contact for tracking and filing A-133 reports.
- In addition to internal tracking, the College will fulfill new (October 1, 2010) federal mandates to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) that requires all subrecipient agreements be posted to a federal website, FSRs. This will provide a third point of verification.

Responsible Party: Jane Lopez, Interim Director

Estimated Completion Date: March 1, 2011

Please contact me if you have any questions regarding the College's action plan.

Sincerely,

A handwritten signature in black ink that reads "Samuel E. Jones". The signature is written in a cursive, slightly slanted style.

Samuel E. Jones

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

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