

UNIVERSITY OF MARY WASHINGTON

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2011**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the University of Mary Washington for the year ended June 30, 2011, found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring Management's attention; however, we do not consider it to be a material weakness;
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards

We have audited the basic financial statements of the University of Mary Washington as of and for the year ended June 30, 2011, and issued our report thereon, dated July 12, 2012. Our report, included with the University's basic financial statements, is available at the Auditor of Public Accounts' web site at www.apa.virginia.gov and the University's web site at www.umw.edu.

Foundation Disclosure

Mary Washington has multiple agreements with the University of Mary Washington Foundation to build, operate, maintain, manage, and lease parking, storage space, student housing, and office space. These agreements and the relationship with the Foundation continue to evolve over time. Mary Washington should continually monitor and ensure the proper disclosure of these agreements and relationships in its financial statements.

INTERNAL CONTROL FINDING AND RECOMMENDATION

Re-examine Relationships with the Foundation

The University of Mary Washington should re-examine its relationships with the University of Mary Washington Foundation and how Mary Washington reports and discloses these transactions and relationships in the financial statements. Mary Washington has multiple agreements with the Foundation to build, operate, maintain, manage, and lease parking, storage space, student housing, and office space.

Some of these agreements commit Mary Washington to provide the Foundation with certain financial assistance when the Foundation does not reach an appropriate level of funding. The initial approval of the contract did not anticipate needing to meet these requirements. While the current financial statements properly disclose this relationship as it exists today, the relationships and extent of University involvement continues to evolve over time. Mary Washington should re-examine each of these agreements and consider appropriate disclosure in its financial statements arising from this evolutionary relationship.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 12, 2012

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
University of Mary Washington

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 discretely presented component unit of the **University of Mary Washington** as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated July 12, 2012. 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 unit of the University, which was 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 University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 certain deficiency in internal control over financial reporting entitled “Re-examine Relationships with the Foundation,” which is described in the section titled “Internal Control Finding and Recommendation” 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 University’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.

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 July 26, 2012.


AUDITOR OF PUBLIC ACCOUNTS

DBC/clj



July 12, 2012

Mr. Walter J, Kucharski
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23218

Subject: Management response to the Audit Recommendations for Fiscal Year Ending June 30, 2011

Dear Mr. Kucharski:

I am pleased to send you University of Mary Washington's response to the internal control findings and recommendations identified during the audit of the fiscal year ended June 30, 2011. Management's response is as follows:

Foundation Disclosure

The University concurs with the recommendation. The University will continue to consult with the Office of the Attorney General regarding all new agreements and will reexamine existing agreements. In late 2012, the University will seek Treasury Board approval to enter into a capital lease with the Foundation for Eagle Landing and the University Apartments which will remove several memorandums of understanding as well as many of the original bond covenants.

If you have any questions or need additional information, please do not hesitate to contact me by phone at (540) 654-1301 or send an e-mail to rhurley@umw.edu.

Sincerely,

Richard V. Hurley
President

UNIVERSITY OF MARY WASHINGTON

BOARD OF VISITORS

(as of June 30, 2011)

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Allyson P. Moerman, Associate Vice President for Finance and Controller