



# UNIVERSITY OF MARY WASHINGTON

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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## AUDIT SUMMARY

We have audited the basic financial statements of the University of Mary Washington as of and for the year ended June 30, 2022, and issued our report thereon, dated February 27, 2023. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the University's website at [www.umw.edu](http://www.umw.edu). Our audit found:

- the financial statements are presented fairly, in all material respects;
- one deficiency related to the financial reporting process that we consider to be a material weakness in internal control;
- additional internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- three 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.

## - TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS	1
INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS	2-4
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	5-7
UNIVERSITY RESPONSE	8-9
UNIVERSITY OFFICIALS	10

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

### **Continue to Improve Internal Controls over Capital Outlay Procurement and Management**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2021)

**Prior Title:** Improve Internal Control over Capital Outlay Procurement and Management

The University of Mary Washington's (University's) Capital Outlay and Procurement Departments are making progress to address improving internal controls to meet the capital outlay procurement and management requirements included in the Construction and Professional Services Manual (CPSM). In the prior year audit, we noted the University did not meet all requirements in the CPSM when procuring a construction project and we also noted the University did not properly approve change orders for Architect and Engineer projects and had some limited segregation of duties for change order approvals. Since the prior year, the University has worked to fill vacant positions within the Capital Outlay Department as well as instituted an additional review process to address segregation of duties risks. Due to the timing of the previous recommendation, the University has not completed corrective action. In addition, the University has not procured any new construction contracts since the prior audit. Therefore, we did not review this area during the current audit. University management should continue to implement corrective actions related to capital outlay procurement and management and ensure it is complying with all requirements in the CPSM.

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Financial Reporting Process**

**Type:** Internal Control

**Severity:** Material Weakness

**Repeat:** Partial (first issued in fiscal year 2021)

**Prior Title:** Properly Track and Report Leases

The University's Finance Department (Finance) does not have adequate internal controls over its financial reporting process. As a result of our review, the financial statements required numerous adjustments, which indicates that the current process Finance uses to compile the financial statements does not prevent, or detect and correct on a timely basis, material misstatements to the financial statements. During fiscal year 2022, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 87. This standard is very complex and requires significant resources to implement properly. The University's improper implementation of this standard led to many of the adjustments and errors to the financial statements. Based on our audit, management made the following adjustments to the financial statements:

- Total assets decreased by \$7.9 million, total liabilities decreased by \$7.0 million, and total beginning net position increased by \$951,414 due to Finance including beginning net position restatements in current year activity rather than as an adjustment to prior period ending balance as required.
- Total assets increased by \$3.4 million, total liabilities increased by \$2.7 million, and deferred inflows of resources increased by \$359,240 due to Finance not properly identifying leases or financed purchases and inaccurately recording lease information when implementing GASB 87.
- Reclassifications totaling \$3.9 million within net cash used by operating activities were necessary due to Finance not properly reporting cash flows for funding related to the Coronavirus Aid, Relief, and Economic Security Act.
- Net investment in capital assets decreased by \$6.2 million and restricted for expendable – capital projects increased by \$6.2 million due to Finance misclassifying capital appropriations.

Finance does not have sufficient staff or resources, including training on new and upcoming governmental accounting standards and best practices in financial reporting relevant to public colleges and universities, to incorporate new standards in the financial statements. Additionally, an individual independent of the preparation does not perform a thorough review of the financial statements. Management is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement in accordance with generally accepted accounting principles. The lack of sufficient resources and thorough review process creates an environment in which reporting errors occur and go undetected. As a result, we consider this a material weakness in internal control.

Management should ensure that Finance has sufficient staff and resources to properly implement and review the impact of new standards on the financial statements. Management should also ensure resources are available to meet the training needs of staff participating in the financial reporting process to ensure staff possess the necessary expertise and knowledge of new and upcoming governmental accounting standards and industry best practices. Finance should also ensure adequate review and approval of all financial statements and related disclosures.

### **Improve Reporting to National Student Loan Data System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During aid year 2022, the University registrar's office personnel did not report accurate and/or timely enrollment data to the National Student Loan Data System (NSLDS) for students that had withdrawn. University management indicated a lack of adequate employee resources and lack of clearly defined procedures for enrollment reporting as the underlying causes for the errors noted. From a review of 15 students who withdrew during the aid year, we identified the following deficiencies:

- For two students (13%), the enrollment status was incorrect with no withdrawal being reported;
- The effective date for five students (33%) was inaccurate;
- For two students (13%), the University did not report the student status change timely; and
- For five students (33%), at least one campus and program field deemed critical was inaccurate.

In accordance with Title 34 U.S. Code of Federal Regulations (CFR) § 685.309 and further outlined in the NSLDS Enrollment Guide, published by the U.S. Department of Education (Education), institutions must report enrollment changes to NSLDS within 30 days when attendance changes, unless the institution will submit a roster file within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Inaccurate data submissions to NSLDS can affect the reliance placed on the system by Education for monitoring purposes. Noncompliance may also have implications on an institution's participation in Title IV programs.

Management should develop and implement written specific procedures relating to enrollment reporting that align with federal regulations. Management should ensure that there are sufficient resources to enable the University to report student status changes accurately and timely. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review process to monitor the accuracy and timeliness of submitted enrollment batches at both the campus and program levels.

### **Submit an Accurate FISAP to Education**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During aid year 2022, University personnel inaccurately reported line 24 – Total expended for state grants and scholarships made to undergraduates in Part II, Section E of the University’s Fiscal Operations Report and Application to Participate (FISAP). The University overstated line 24 by \$3,770,842 due to the University including grants where it makes the final decision on the recipients. The underlying cause of the error is that University personnel did not have an adequate understanding of the instructions for preparing the FISAP and included aid programs for which the institution makes the final awarding decision.

In accordance with 34 CFR 674.19(d)(2), 675.19(b)(3) and 676.19(b)(3), an institution must submit a FISAP if it has expended campus-based program funds or has a Federal Perkins Loan Fund. The FISAP instructions provided by Education further inform institutions of what to report in Part II line 24 – Total expended for state grants and scholarships made to undergraduates. Per this guidance, an institution should not include state awards if the institution has the final decision on which students receive the funds. By inaccurately reporting information on the FISAP, the University has provided inaccurate information to Education for use in making funding decisions. Management should review the instructions for preparing the FISAP and report the proper amounts on line 24 of the FISAP in the future.

### **Promptly Return Unclaimed Aid to Education**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During aid year 2022, Finance personnel did not return unclaimed Title IV student financial aid funds to Education within the required timeframe. Five unclaimed checks totaling \$6,505 remained outstanding after 240 days. The underlying cause of the error is a lack of adequate policies and procedures.

In accordance with 34 CFR § 668.164(l), if an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check or no later than 45 days after an electronic funds transfer (EFT) is rejected. By not returning funds timely, the institution is subject to potential adverse actions that may affect the University’s participation in Title IV aid programs.

University personnel should develop and implement clear and concise policies and procedures for processing unclaimed Title IV funds. In the event the University is unable to contact the aid recipient and the check remains uncashed or EFT is rejected, the University should return the unclaimed funds to Education within the required time frame.



# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

February 27, 2023

The Honorable Glenn Youngkin  
Governor of Virginia

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, 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 discretely presented component unit of the **University of Mary Washington** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 27, 2023. Our report includes a reference to another auditor who audited the financial statements of the component unit of the University, as described in our report on the University's financial statements. The other auditor did not audit the financial statements of the component unit of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component unit of the University.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's 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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the sections titled “Status of Prior Year Findings and Recommendations” and “Internal Control and Compliance Findings and Recommendations,” we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency titled “Improve Financial Reporting Process,” which is described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be a material weakness.

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. We consider the deficiencies titled “Continue to Improve Internal Controls Over Capital Outlay Procurement and Management,” “Improve Reporting to National Student Loan Data System,” “Submit an Accurate FISAP to Education,” and “Promptly Return Unclaimed Aid to Education,” which are described in the sections titled “Status of Prior Year Findings and Recommendations” and “Internal Control and Compliance Findings and Recommendations,” to be significant deficiencies.

### **Report on 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 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 titled “Improve Reporting to National Student Loan Data System,” “Submit an Accurate FISAP to Education,” and “Promptly Return Unclaimed Aid to Education.”

### **The University’s Response to Findings**

We discussed this report with management at an exit conference held on March 10, 2023. Government Auditing Standards require the auditor to perform limited procedures on the University’s response to the findings identified in our audit, which is included in the accompanying section titled

“University Response.” The University’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Status of Prior Findings**

The University has not taken adequate corrective action with respect to the previously reported findings currently titled “Continue to Improve Internal Controls over Capital Outlay Procurement and Management” and “Improve Financial Reporting Process.” Accordingly, we included these findings in the sections titled “Status of Prior Year Findings and Recommendations” and “Internal Control and Compliance Findings and Recommendations.” The University has taken adequate corrective action with respect to the audit finding reported in the prior year that is not repeated in this report.

**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

JDE/clj

**Finance**

1301 College Avenue  
Fredericksburg, VA 22401-5300

March 10, 2023

Ms. Staci Henshaw  
Commonwealth of Virginia  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw,

The University has reviewed the audit findings and recommendations resulting from the fiscal year 2022 audit. The University appreciates the effort and work of the APA and has the following response to the Internal Control and Compliance Findings and Recommendations.

**Continue to Improve Internal Controls over Capital Outlay Procurement and Management**

The University recruited and filled the vacant Assistant Director for Capital Outlay position with an individual with extensive Commonwealth experience and VCCO certification. In addition, Capital Outlay has developed and documented procedures related to change order roles. Capital Outlay has also documented and communicated procedures to ensure the most current contract forms are used. Capital Outlay and Procurement continue to modify and communicate policies and procedures that ensure proper segregation of duties, ensure appropriate documentation, and that all necessary public postings occur for all capital outlay projects.

**Improve Financial Reporting Process**

While the University acknowledges that additional resources are necessary to improve the process of creating and reviewing the financial report, the overall process is functional and contains internal control measures. We also note that the issues referenced in the management point are primarily related to the extraordinary capital asset transfer and the new GASB 87 standard. Net impact on net position of the items referenced was less than \$335,000. Management will take steps to ensure time and resources are provided for in-depth training on new GASB guidance and will assign additional staff to the financial reporting and review process.

**Improve Reporting to National Student Loan Data System**

The University will develop and implement updated policies and procedures to ensure student status changes for unofficial withdrawals are reported accurately and timely to meet federal requirements.

**Submit an Accurate FISAP to Education**

The University has reported State awards consistently on the FISAP for over a decade and based its decision for doing so on the lack of influence the University has over awarding criteria. However, considering further explanation of the guidance, UMW will exclude State awards where UMW has the final awarding decision from Section II, Item 24 on future FISAP reporting and has corrected the current FISAP.

**Promptly Return Unclaimed Aid to Education**

The University updated its unclaimed property procedures to include steps to ensure required Title IV return timeframes are met.

Kind Regards,

**Julie Smith**  Digitally signed by Julie Smith  
DN: cn=Julie Smith, o=University  
of Mary Washington, ou=Finance,  
email=jsmith23@umw.edu, c=US  
Date: 2023.03.08 16:45:23 -05'00'

Julie Smith  
Associate Vice President for Finance

## UNIVERSITY OF MARY WASHINGTON

As of June 30, 2022

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