SNOW COLLEGE
Career and Technical Education Program

Single Audit Management Letter
For the Year Ended June 30, 2012

Report No. 12-13

Keeping Utah
Financially Strong

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR
SINGLE AUDIT MANAGEMENT LETTER NO. 12-13

October 10, 2012

To the Board of Trustees, Audit Committee,
and
Scott L. Wyatt, President
Snow College

This management letter is issued as a result of our completion of Snow College’s portion of the statewide federal compliance audit for the year ended June 30, 2012. Our report on the statewide federal compliance audit for the year ended June 30, 2012 is issued under separate cover. The federal programs tested as major programs at the College were the Student Financial Assistance (SFA) and the Career and Technical Education (CTE) Programs.

In planning and performing our audit of the federal programs listed above, we considered the College’s compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2012. We also considered the College’s internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness over compliance is a
deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies. These significant deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

The College’s written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the College’s management, Board of Trustees, Audit Committee, others within the entity, and the Utah State Board of Regents and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

We appreciate the courtesy and assistance extended to us by the personnel of the College during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call Joe Christensen, Deputy State Auditor, at (801) 538-1354.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Marvin Dodge, Vice President for Administrative Services
    John Ruell, Controller
    Jack Dalene, Financial Aid Director
    Michael Medley, Dean, Division of Career and Technical Education
SNOW COLLEGE  
Career and Technical Education Program  
FOR THE YEAR ENDED JUNE 30, 2012  

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Finding Type:  
SD Significant Deficiency of Internal Control  
RN Reportable Noncompliance  

Applicable To:  
f Federal Program
1. **INACCURATE REQUESTS FOR REIMBURSEMENT OF CTE FUNDS**

Federal Agency: **Department of Education**  
CFDA Number and Title:  **84.048 Career and Technical Education Program – Carl Perkins**  
Federal Award Number: **V048A110044-11A**  
Questioned Costs: $0-  
Pass-through Entity: N/A

Snow College submits a Reimbursement Request form to the Utah State Office of Education in order to receive reimbursement for Career and Technical Education (CTE) expenditures. The College incorrectly prepared the Reimbursement Request form for fiscal year 2012 using budgeted information rather than actual expenditures recorded in the Banner system (the College’s accounting system). As a result, we noted the following errors on the Reimbursement Request form:

a. The amount reported as expended in the travel category on the form did not agree to the travel amounts recorded in Banner. Amounts reported as expenditures on the Reimbursement Request form should be supported by amounts recorded in Banner.

b. The amount reported as expended in the property category on the form did not agree to the property amounts recorded in Banner. The College included an amount for items that were ordered but not received as of the date covered by the reimbursement request. The grant award document from the Office of Education states, “Reimbursements may be requested based only on actual amount of expenditures.”

Due to turnover in grant administration, the College grant administrators were unaware of the errors on the Reimbursement Request form. Errors such as these can result in inaccurate federal reporting, interest liabilities to the State for advance draws, and potential questioned costs. We did not question any costs associated with these errors because the College had sufficient other allowable expenditures that occurred during the proper time period that could have been claimed.

**Recommendation:**

We recommend that the College prepare the Reimbursement Request forms using only actual expenditures recorded in Banner.

**College’s Response:**

*The error identified in the audit is an anomaly to prior financial reporting due primarily to year-end encumbrances and a delay in the delivery of materials ordered. Submitting...*
reimbursement requests based on budgeted amounts rather than actual expenditures has not been the College’s practice.

Recent restructuring within the Controller’s Office allowed the College to create and fund a full-time Compliance Officer position. This position, which was filled on September 17, 2012, is tasked with assisting grant administrators in complying with all financial grant requirements and acting as the primary financial contact for all grant programs. The Compliance Officer will generate and/or review for accuracy financial reports submitted by the College for all grant programs, including CTE. This will entail being fully aware of grant budgets, allowable and unallowable costs, and other programmatic nuances of each grant. Upon review of these audit findings, the new Compliance Officer has been directed to ensure that only allowable actual recorded expenditures are submitted for reimbursement in the proper time period for each of our grant programs.

Contact Persons:  John Ruell, Controller, 435-283-7250
Robin Gore, Compliance Officer, 435-893-2257
Correction Date:   September 17, 2012

2. NONCOMPLIANCE WITH FEDERAL EQUIPMENT MANAGEMENT REQUIREMENTS

Federal Agency:  Department of Education
CFDA Number and Title:  84.048 Career and Technical Education Program – Carl Perkins
Federal Award Number:  V048A110044-11A
Questioned Costs:  $-0-
Pass-through Entity:  N/A

During our review of equipment purchased with federal award money, we noted the following:

a. The College is not properly classifying equipment as either equipment acquired under federal awards or equipment otherwise acquired. Additionally, the College is not documenting all required information (such as description, identifying number, cost, etc.) related to assets acquired under federal awards as required by OMB Circular A-110 Part A, Section .34.

b. The College has no procedures in place to ensure that disposals of equipment acquired under federal awards comply with federal equipment management requirements detailed in OMB Circular A-110 Part A, Section .34.
These errors occurred because Snow College was unaware of grant requirements related to equipment acquired under federal awards. Noncompliance with federal equipment management requirements can result in questioned costs.

**Recommendation:**

We recommend that the College:

a. Properly classify equipment purchased under federal awards vs. equipment otherwise acquired and document all required information related to those assets to ensure compliance with applicable federal equipment management requirements.

b. Implement procedures to ensure that disposal of equipment acquired under federal awards is in compliance with federal equipment management requirements.

**College’s Response:**

The College’s standard for the disposition of assets is to use an unbiased public process and/or auction to ensure equal access and opportunity for purchasers. Prior to the disposition of CTE assets the College contacts similar Utah College of Applied Technology programs to determine if the assets could be utilized within the higher education community. All funds generated from the auction of CTE equipment are reinvested in the College’s CTE programs to address ongoing needs.

In fiscal year 2011, the College created an account to properly classify equipment acquired under federal awards. While this process has been implemented moving forward the College needs to identify assets purchased in prior years to ensure disposition is handled following the appropriate regulations. The College will document all required information related to equipment acquired under federal awards as required by OMB Circular A-110 Part A, Section .34.

The College will ensure that disposals of equipment acquired under federal awards comply with federal equipment management requirements detailed in OMB Circular A-110 Part A, Section .34. The College has added a section to the College’s Asset Tracking Form that identifies equipment acquired under federal awards. These assets have additional disposal requirements that must be met before being disposed.

The College Controller’s Office created a Compliance Officer position in September 2012. The Compliance Officer is assigned to monitor the disposition of College assets purchased with restricted funds. The College is also in the process of modifying its fixed asset guidelines by adding clarification regarding the documentation and disposal requirements of fixed assets acquired under federal awards.
SNOW COLLEGE  
Career and Technical Education Program  

FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2012  

Contact Persons:  John Ruell, Controller, 435-283-7250  
Robin Gore, Compliance Officer, 435-893-2257  

Anticipated Correction Date:  February 2013  

3. NONCOMPLIANCE WITH PAYROLL DISTRIBUTION REQUIREMENTS  

Federal Agency:  Department of Education  
CFDA Number and Title:  84.048 Career and Technical Education Program – Carl Perkins  
Federal Award Number:  V048A110044-11A  
Questioned Costs:  $-0-  
Pass-through Entity:  N/A  

During our review of the College’s payroll charges to the CTE grant, we noted that the College has not implemented a method to properly document the distribution of payroll as required by OMB Circular A-21 J.10.b.  

OMB Circular A-21 J.10.c. provides examples of acceptable methods of documenting the distribution of payroll. One such method that could appropriately be used by the College is after the fact activity reports, which should “reflect an after the fact reporting of the percentage distribution of activity of employees.” Under this method, the following should occur:  

- Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.  
- The reports must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.  
- For professorial and professional staff, the reports should be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports should be prepared no less frequently than monthly and coincide with one or more pay periods.  

Due to turnover in grant administration, Snow College grant administrators were unaware of the payroll distribution requirements. If grant administrators are not aware of all significant grant requirements, unallowable costs could be charged to the grant.  

Recommendation:  

We recommend that Snow College ensure that grant administrators are aware of significant grant requirements and implement processes and procedures to ensure compliance with payroll distribution requirements, as outlined by OMB Circular A-21.
College’s Response:

The College does have and uses time and effort reports to properly document the distribution of payroll as required by OMB Circular A-21 J.10.b. Time and effort reports were not being used with this grant for the time period tested because the 1.5 FTE who are charging time to the grant spend 100% of their time in the Diesel Mechanics program. It was our understanding that time and effort reports, beyond regular payroll documentation, were not required when 100% of an employee’s time is dedicated to one grant program. The College will ensure certifications are filed each semester for these employees verifying 100% of their time is spent on grant activities.

The College hired a Compliance Officer September 17, 2012 to assist grant administrators in complying with all financial grant requirements. The Compliance Officer will ensure that time and effort reports are properly and consistently used. The Compliance Officer will also train grant administrators to ensure that they are aware of all the requirements pertaining to their grants.

Contact Persons: John Ruell, Controller, 435-283-7250
Robin Gore, Compliance Officer, 435-893-2257
Correction Date: August 2012

4. WEAKNESSES IN REPORTING PERFORMANCE DATA

Federal Agency: Department of Education
CFDA Number and Title: 84.048 Career and Technical Education Program – Carl Perkins
Federal Award Number: V048A110044-11A
Questioned Costs: $-0-
Pass-through Entity: N/A

The College must annually report to the State its progress in achieving its target levels of performance on the core indicators of performance set by the Perkins IV grant. We noted the following weaknesses related to the reporting of this information:

a. Inaccurate Data Reported

Some of the student data reported by the College for the 2011 Reporting Year was incomplete, inaccurate, and inconsistent (the fiscal year 2012 reports were not yet available at the time of our testwork). The inaccurate data was the result of the following:

- Inaccurate coding in the Banner system. The College had outdated Classification of Instructional Program (CIP) codes in their system (these codes are used by the Board of Regents to identify CTE students and are used to compile the report).
Inaccurate information input by the students relating to declared majors.

Turnover in grant administration.

Use of incomplete, inaccurate, and inconsistent student data results in meaningless comparisons of the data submitted to target data as well as noncompliance with reporting requirements.

b. Failure to Provide Performance Data to the General Public

The College is not providing performance data to the general public as required by the Perkins IV grant. Per 20 USC 2323(b)(4)(C)(v), data for the core indicators of performance described in Section 113 (b)(4) of Perkins IV must be available to the general public through a variety of formats, including electronically through the Internet. Failure to report the required information in the proper format as described above results in noncompliance with grant requirements. This error occurred because Snow College was unaware of the requirement.

Recommendation:

We recommend that the College:

a. Implement adequate internal controls and processes to better ensure accurate and consistent reporting of student data.

b. Make its performance data available to the general public using the required formats.

College’s Response:

This particular finding touches on challenges related to the reporting of Perkins/CTE data statewide. Recent years have seen a number of changes in the process of data collection, CIP codes, and review. While the College strives to ensure the integrity of its data, discussions at the state level will be necessary for full resolution of these items.

Inaccurate coding in the Banner system:

The issue of CIP Codes particular to Perkins has been an on-going discussion item between Snow College and the Board of Regent's Office (Regents) for the past two years. Changes have been made to the Banner system (the STVMAJR) table in order to update outdated CIP codes as well as better align intended majors with those self-declared by students. For the 2012 year (namely the graduation file) 11 CIP codes were changed to (1) better match programs offered by the College and (2) match general updates/changes in CIP codes (i.e. nursing CIP codes changed across the board).
Inaccurate information input by students related to declared majors:
As an open institution with a self-declare major process, this remains problematic. The College is in the unique situation of offering general education coursework preparatory to job placement or transfer; resulting in majors that are essentially not more than "general education." However, the College is required by the Regents and Perkins to report majors (outside of GNED). Several items have been implemented to better assess and assign students to appropriate majors when they do not declare:

1. A student major survey required at first registration. The survey asks students to identify a major/area of emphasis and to declare if their choice should be considered their official major. Data from this survey is sent to the Registrar to update student information after the completion of each 3rd week report.

2. Majors attending specific required classes taught by the College (e.g. LPA vs. CNA) submit major cards in class at the beginning of the semester. These cards will be used to determine a student’s major based on their enrollment in the class. For example, a student who would self-declare "nursing" as his or her major would be coded with a default RN (nursing) CIP code. At the on-set of his or her first required LPN class, the major card completed would change the CIP code from RN to the more appropriate LPN.

Failure to Provide Performance Data to the General Public:
Due to circumstances surrounding the change in Snow’s Perkins grant administrator, the new director received no training, assistance, or transition advice from the incumbent. While the College followed the format of previous reports and documentation, it appears there are longstanding compliance issues. The College cannot find evidence that the general public reporting requirement was met. Reports meeting the requirements will be generated and provided by the College in the methods outlined.

In addition to the transitional issues mentioned, there are a number of systemic issues worth highlighting. Data for the Perkins grant was historically reported by the College to the Regents. This separate reporting was eliminated approximately three years ago when it was determined that data already sent to the Regent’s Institutional Research (IR) Office could be used to compile the Perkins report. In addition, Perkins reporting changed to emphasize "participants" and "concentrators" all of which would be determined from data extracts sent to the Board of Regents. A few elements such as PELL and BIA information were added to 3rd Week and End of Term extracts in order to facilitate this process. What happens with data once it leaves the College remains unclear. Snow does not have clarification as to how or what Perkins-related information is transferred from the Regents (Higher Education) to the State Office of Education. Specific information as to the data script that pulls Perkins information and how that information is edited, cleansed, and then submitted to the State Office of Education is needed—
least a detailed conversation with the College, representatives from the Regent's, and State Office of Education regarding specific student samples would help clarify the process and reveal how the inputs result in such confusing and erroneous outputs.

Contact Persons:  Dr. Beckie Hermansen, Director, Institutional Research, 435-283-7346
                 Michael Medley, Dean, Division of CTE, 435-893-2264
                 Robin Gore, Compliance Officer, 435-893-2257

Anticipated Correction Date:  Ongoing