

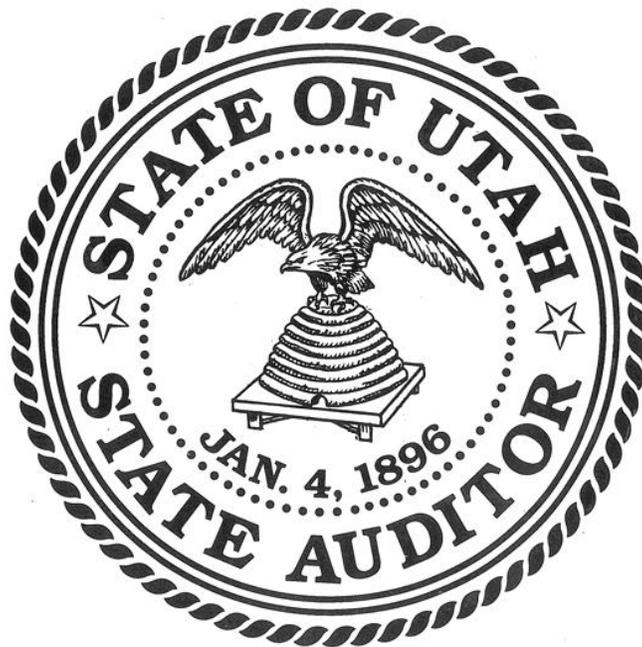
# SNOW COLLEGE

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Single Audit Management Letter  
For the Year Ended June 30, 2013

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Report No. 13-02



OFFICE OF THE  
UTAH STATE AUDITOR

# **SNOW COLLEGE**

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Single Audit Management Letter  
For the Year Ended June 30, 2013

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Report No. 13-02

**AUDIT TEAM:**

Hollie Andrus, CPA, Audit Director  
Bertha Lui, CPA, Audit Supervisor



OFFICE OF THE  
**UTAH STATE AUDITOR**

**SINGLE AUDIT MANAGEMENT LETTER NO. 13-02**

September 17, 2013

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

This management letter is issued as a result of Snow College's (the College) portion of the statewide federal compliance audit for the year ended June 30, 2013. Our report on the statewide federal compliance audit for the year ended June 30, 2013 is issued under separate cover. The federal program tested as a major program at the College was the Student Financial Assistance (SFA) Program.

In planning and performing our audit of the federal program 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, 2013. 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 the auditing procedures that are appropriate in the circumstances 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance 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 to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. 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.

In addition, we noted another instance of noncompliance which we are submitting for your consideration. This matter is 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.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with OMB Circular A-133 in considering the College's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

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 contact me.

Sincerely,

A handwritten signature in cursive script that reads "Hollie Andrus".

Hollie Andrus, CPA  
Audit Director  
801-808-0467  
handrus@utah.gov

cc: Marvin Dodge, Vice President for Administrative Services  
Karl Kovac, Controller  
Jack Dalene, Financial Aid Director

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Finding Type:

SD Significant Deficiency of Internal Control  
 RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

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FOR THE YEAR ENDED JUNE 30, 2013

**1. INCOMPLETE RECONCILIATION OF FEDERAL DIRECT STUDENT LOANS**

Federal Agency: **Department of Education**  
CFDA Number and Title: **84.268 Federal Direct Student Loans**  
Federal Award Number: **N/A**  
Questioned Costs: **N/A**  
Pass-through Entity: **N/A**

Snow College (College) is performing a partial reconciliation of the Federal Direct Student Loans by reconciling direct loans between the Common Origination and Disbursement (COD) system and the College's financial aid system and identifying causes for any differences between these two systems. However, the College does not reconcile this information in total to Banner (the College's financial accounting system) on a monthly basis as required by federal regulations (34 CFR 685) and the Direct Loan School Guide. An incomplete reconciliation could result in errors occurring without detection.

**Recommendation:**

**We recommend that the College implement internal controls to ensure that Federal Direct Student Loans are adequately reconciled to Banner as required by 34 CFR 685.**

**College's Response:**

*The College agrees. The College has already begun to address this issue. The Financial Aid Office will send its monthly report to the Business Office for reconciliation to the College's financial accounting system in Banner. The Business Office will send its monthly reconciliation back to the Financial Aid Director for his review.*

*Contact Person: Jack Dalene, Financial Aid Director, (435) 283-7130  
Anticipated Correction Date: September 1, 2013*

**2. ENROLLMENT REPORTING ERRORS**

Federal Agency: **Department of Education**  
CFDA Number and Title: **84.268 Federal Direct Student Loans**  
Federal Award Numbers: **N/A**  
Questioned Costs: **\$-0-**  
Pass-through Entity: **N/A**

We selected a sample of 10 students, out of a statewide sample of 40, who either withdrew (officially or unofficially) or graduated from the College to determine whether enrollment

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FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2013

changes were being properly reported to the National Student Loan Data System (NSLDS). We noted the following errors:

- In four instances, the students graduated from the College but were reported to the NSLDS as withdrawn rather than graduated. The NSLDS Enrollment Reporting Guide states that schools must correctly report students who have completed a program as “graduated” and not as “withdrawn.” This assists the NSLDS in identifying individual student completion of programs of study. Further, an accurate anticipated completion date aids in correct servicing of a student’s loans, avoiding unnecessary early or late conversion to repayment status which could cause technical defaults.
  
- In two instances, the students officially withdrew from the College but their status change was not reported to NSLDS within the required time. Per the NSLDS Enrollment Reporting Guide the College must report attendance changes for students within 30 days, unless a roster will be submitted within 60 days.

An incorrect enrollment status reported to NSLDS could cause a student’s loan to be inappropriately delayed in being converted to repayment status. These errors occurred because the College did not ensure that its third-party servicer submitted data to NSLDS by the required due date.

**Recommendation:**

**We recommend that the College ensure that its third-party servicer submits the proper data to NSLDS in a timely manner as required.**

*College’s Response:*

*The College agrees. The responsibility to report enrollment changes has recently been transferred to the Registrar’s Office to provide more accurate and timely reporting. The Financial Aid Office will coordinate with the Registrar’s Office to ensure that this reporting function is performed satisfactorily.*

*Contact Person: Jack Dalene, Financial Aid Director, (435) 283-7130  
Anticipated Correction Date: September 1, 2013*

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**3. RETURN OF TITLE IV FUNDS NOT PROPERLY CALCULATED FOR STUDENTS WHO HAD WITHDRAWN**

Federal Agency: **Department of Education**  
CFDA Numbers and Titles: **84.063 Federal Pell Grant Program**  
Federal Award Numbers: **Various**  
Questioned Costs: **\$400**  
Pass-through Entity: N/A

We selected a sample of 10 students, out of a statewide sample of 60, who officially or unofficially withdrew from the College during Summer 2012, Fall 2012, and Spring 2013 semesters to determine whether the College properly determined, calculated, and returned federal student aid (Title IV) funds in accordance with federal regulations (34 CFR 668.22). Title IV funds were required to be returned for 6 of the 10 students sampled; however, the funds were not properly returned for 3 of the 6 students as follows:

- For one student, the Financial Aid Office determined that the student unofficially withdrew during Fall 2012 and indicated that a return of Title IV funds would be required; however, for an unknown reason the calculation and return of funds did not occur for this student. The College should have returned \$287 for this student.
- For two students, the Financial Aid Office incorrectly calculated the institutional charges for the applicable semester, which caused the Return of Title IV funds to be less than what was calculated by the Financial Aid Office. The net of the funds the College should have returned for these students was \$113.

These errors likely occurred because of the manual process the Financial Aid Office goes through to determine the institutional charges for each student. Improper determination, calculation, and return of Title IV funds result in noncompliance with federal regulations.

**Recommendation:**

**We recommend that the Financial Aid Office implement internal controls to 1) identify all students subject to the requirements to return Title IV funds and 2) ensure that the funds are properly calculated and returned in a timely manner.**

**College's Response:**

*The College agrees. The Financial Aid Director has consulted with colleagues at Utah State University and Dixie State University to determine how to use Banner reporting screens and functions to automate the return of funds process. The new automated process has recently been tested and will be run on a regular periodic basis. A Financial Aid Office staff member*

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*different from the staff member assigned to process the return of funds will perform periodic checks to verify accuracy.*

*Contact Person: Jack Dalene, Financial Aid Director, (435) 283-7130  
Anticipated Correction Date: September 1, 2013*