

# SOUTHERN UTAH UNIVERSITY

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Single Audit Management Letter  
For the Year Ended June 30, 2016

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Report No. 16-07



## OFFICE OF THE STATE AUDITOR

### AUDIT LEADERSHIP:

John Dougall, State Auditor  
Hollie Andrus, CPA, Audit Director  
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Ariane Gibson, CPA, Audit Supervisor



OFFICE OF THE  
UTAH STATE AUDITOR

**SINGLE AUDIT MANAGEMENT LETTER NO. 16-07**

November 3, 2016

To the Board of Trustees, Audit Committee,  
and  
Scott L. Wyatt, President  
Southern Utah University

This management letter is issued as a result of Southern Utah University's (University's) portion of the statewide federal compliance audit for the year ended June 30, 2016. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. We tested the following federal programs as major programs on a statewide level:

- Student Financial Assistance Cluster
- Career & Technical Education Program
- TRIO Cluster

In planning and performing our statewide compliance audit of the above programs, we considered the University's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2016. We also considered the University's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major programs tested in order to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 University's internal control over compliance.

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 in internal control 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. 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.

Our consideration of internal control over compliance was for the limited purposes described in the second 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. However, we consider the deficiencies in internal control over compliance presented in the accompanying schedule of findings and recommendations as Findings No. 1 through 3 to be significant deficiencies.

The University's written responses to and Corrective Action Plans for the findings identified in our audit were not 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 interim testing of internal control over compliance and the results of that testing. Accordingly, this interim communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the personnel of the University during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



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

cc: Marvin Dodge, Vice President Finance and Administration  
Michael Beach, Assistant Vice President for Finance  
Brian Wright, Controller  
Jan Carey-McDonald, Financial Aid Director  
Lynne Brown, Director, Student Support Services  
Tami Shugart, Director, Educational Talent Search  
Leanne Maxwell, Director, Upward Bound  
Eric Freden, CTE Director

# **SOUTHERN UTAH UNIVERSITY**

## **Single Audit Management Letter**

FOR THE YEAR ENDED JUNE 30, 2016

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Finding Type:

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

Applicable To:

f Federal Program

# **SOUTHERN UTAH UNIVERSITY**

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FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016

### **1. INCOMPLETE RECONCILIATION OF DIRECT LOANS**

Federal Agency: **Department of Education**

CFDA Number and Title: **84.268 Federal Direct Student Loans**

Federal Award Number: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Southern Utah University (University) only performs a partial reconciliation of the Direct Student Loans, due to employee oversight. The University reconciles Direct Student Loans between the Common Origination and Disbursement (COD) system and the University's financial aid system and identifies causes for any differences between these two systems; however, the University does not reconcile this information in total to Banner (the University's accounting system) on a monthly basis, as required by federal regulations (34 CFR 685). Incomplete reconciliations can allow errors to occur without detection.

#### **Recommendation:**

**We recommend the University ensure that the COD and financial aid systems are reconciled to Banner on a monthly basis, as required by federal regulations.**

#### **University's Response:**

*We agree with the finding.*

#### **Corrective Action Plan:**

*A reconciliation of the COD and financial aid systems to the Banner Finance system was being performed on a quarterly basis by the Controller's Office. The Financial Aid Office was also performing a reconciliation of the Financial Aid system to the COD system on a monthly basis, although this did not include a reconciliation to the Banner Finance System. Hereafter, the Financial Aid Office will perform a reconciliation of the Financial Aid system to the COD system and to Banner Finance on a monthly basis, as required by federal regulations, with a review by the Controller's Office. The Financial Aid Office will be granted query access to the Banner Finance System that will provide appropriate documentation of loan transactions recorded for purposes of reconciling the Financial Aid system and the COD system to the Banner Finance system.*

*Contact Person: Jan Carey-McDonald, Director of Financial Aid, 435-586-7734*

*Anticipated Completion Date: November 15, 2016*

# **SOUTHERN UTAH UNIVERSITY**

## **Single Audit Management Letter**

FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016

### **2. INACCURATE LINE ITEMS IN THE FISAP REPORT**

Federal Agency: **Department of Education**

CFDA Numbers and Titles:

**84.007 Federal Supplemental Educational Opportunities Grants**

**84.033 Federal Work-Study Program**

**84.038 Federal Perkins Loan**

**84.063 Federal Pell Grant Program**

Federal Award Number: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

We tested the Fiscal Operations Report and Application to Participate (FISAP) submitted by the University for the federal award year 2014-2015 and noted errors in two lines as follows:

- a. Part III, Section C, Line 3, was reported as \$2,505,438, but should have been reported as \$1,236,481.
- b. Part III, Section C, Line 4, was reported as \$834,445, but should have been reported as \$378,409.

These errors occurred because the University incorrectly added the amounts reported in the prior year FISAP report to the amounts for the current year. Although the report was certified, the University does not have adequate internal controls to allow for proper verification of the report's accuracy. According to the FISAP instructions, each institution's chief executive officer must certify that the data on the report is accurate. Errors in the FISAP report could potentially affect the amount of aid awarded to the University in future award years.

#### **Recommendation:**

**We recommend that the University strengthen internal controls to allow for proper verification of the FISAP report's accuracy.**

#### **University's Response:**

*We agree with the finding.*

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### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Corrective Action Plan:**

*We found the numbers were inaccurately reported due to a miscalculation that was performed manually. To mitigate the risk of reporting inaccurate numbers, we have taken action to strengthen our control procedures through 1) automating the process and performing a reconciliation of the process to ensure the line items are accurately reported, 2) a more rigorous review and approval process, and 3) we have documented the errors in our FISAP reporting instruction manual to avoid the errors in the future. We note that these changes are to be effective immediately and will be reflected on the next report.*

*Contact Person: Jan Carey-McDonald, Director of Financial Aid, 435-586-7734*

*Anticipated Completion Date: We note that these changes have been implemented with the filing of the fiscal year 2015-16 FISAP report and will be reflected on future reports.*

### **3. NONCOMPLIANCE WITH CTE REPORTING REQUIREMENTS**

Federal Agency: **Department of Education**

CFDA Number and Title: **84.048 Career and Technical Education – Carl Perkins**

Federal Award Number: **V048A150044**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

The University did not provide data to the general public regarding the level of performance for the core indicators of performance described in Section 113 (b)(4) of the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV). Federal regulations (20 USC 2323(b)(4)(C)(v)) require that the University's performance data be made available to the general public through a variety of formats, including electronically through the internet. The University's CTE program personnel were unaware of the requirement. Failure to report the required information in the proper format as described above, results in noncompliance with grant requirements.

#### **Recommendation:**

**We recommend that the University establish an internal control to ensure that its data for the core indicators of performance is made available to the general public using the required formats.**

**SOUTHERN UTAH UNIVERSITY**

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**FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

*University's Response:*

*We agree with this finding.*

*Corrective Action Plan:*

*The most recent SUU FAUPL report (generated by Utah State Board of Education) was posted to the SUU CTE web page (<https://www.suu.edu/cose/cte/>) as of October 20, 2016. The document shows SUU Perkins performance data from the 2007 through 2015 reporting years. It should be noted that the above mentioned web page already listed the SUU Perkins Local Plan which contains an analysis of FAUPL results as well as an action plan that addresses the analysis. However, the Local Plan does not list all FAUPL numbers.*

*Contact Person: Eric Freden, Southern Utah University CTE Director, 435-586-5404*

*Anticipated Completion Date: Action has already been completed. Furthermore, the SUU FAUPL report will be updated annually to the same web page.*