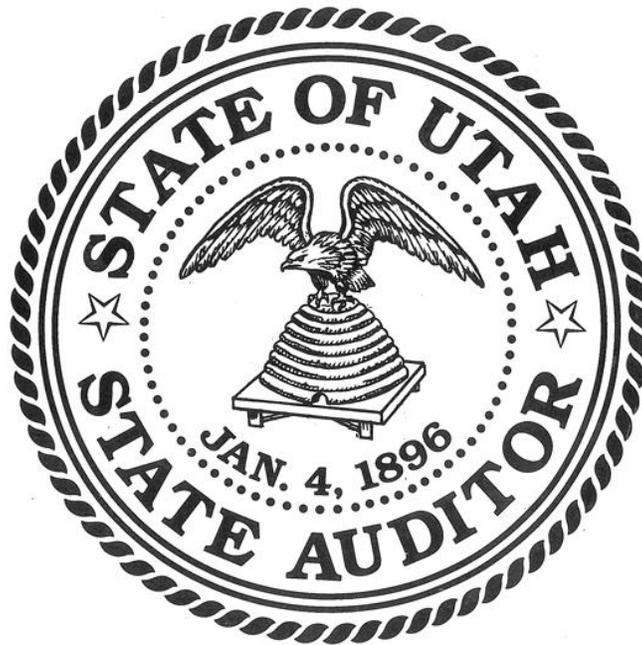


UTAH VALLEY UNIVERSITY

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

Report No. 16-10



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Bertha Lui, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 16-10

November 8, 2016

To the Board of Trustees, Audit Committee,
and
Dr. Matthew S. Holland, President
Utah Valley University

This management letter is issued as a result of Utah Valley 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
- TRIO Cluster
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

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 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 testing of internal control over compliance and the results of that testing. Accordingly, this 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: Val Peterson, Vice President for Administration & External Affairs, CFO
Cory Duckworth, Vice President for Student Affairs & Planning
Jacob Atkin, Associate Vice President for Finance/GRAMA
Kedric Black, Controller
Joe Martin, Director of Accounting
Troy James, Grants and Contracts Senior Accountant, Finance and Business Services
Rebecca Ayala, Talent Search Coordinator
Keith L. Jensen, Project Director, Student Support Services
Michael Campbell, TRIO Program Director, Upward Bound & Talent Search
John Curl, Director, Financial Aid and Scholarships
Laurie Miller, GEAR UP Director
Tammy Brown, Director of Post Award Services

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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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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

1. LACK OF DOCUMENTATION FOR EVALUATION OF SUBRECIPIENT RISK OF NONCOMPLIANCE

Federal Agency: **Department of Education**
CFDA Number and Title: **84.334 GEAR UP**
Federal Award Number: **P334S110015**
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Finding Number: N/A

Utah Valley University (University) could not provide documentation showing that it had performed risk evaluations to determine the appropriate level of subrecipient monitoring. According to federal regulations (2 CFR section 200.331(b), “a pass-through entity must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” Inability to provide documentation of risk evaluations was due to personnel turnover at the University, which impacted the time available to develop procedures for new subrecipient risk evaluation requirements. Without documentation, we could not determine whether the University performed proper risk evaluations or performed adequate subrecipient monitoring procedures based on the risk evaluations.

Recommendation:

We recommend the University implement procedures to document subrecipients’ risk of noncompliance and its effect on monitoring procedures.

University’s Response:

We agree with the finding. Although the University performed sufficient subrecipient monitoring, as outlined in the Uniform Guidance, we didn’t determine the level of monitoring activities based upon an initial risk assessment.

Corrective Action Plan:

UVU has adopted the use of a Subrecipient Commitment Form – Risk Assessment Questionnaire to be used prior to a subrecipient award being issued; and we have adopted a Continuing Assessment Tool Form to be used for ongoing risk assessment at least every two years after an award has been issued. The Office of Sponsored programs has also adopted a procedure to coordinate and communicate project status with the project director/investigator. Follow-up coordinated discussions regarding review of feedback from assessment and documentation will allow for appropriate grant management of each subcontract.

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

Contact Persons: *Curtis Pendleton, Sr. Director, 801-863-6039*
Tammy Brown, Director of Post Award, 801-863-5685

Anticipated Completion Date: Implemented immediately.

2. NONCOMPLIANCE WITH GEAR UP SCHOLARSHIP DISBURSEMENT REQUIREMENTS

Federal Agency: **Department of Education**
CFDA Number and Title: **84.334 GEAR UP**
Federal Award Number: **P334S050019**
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Finding Number: N/A

Students participating in GEAR UP did not receive the full scholarship benefit from the University. Of the 16 scholarship disbursements tested, 10 scholarships were less than the minimum amount set by federal regulations. This error resulted in an under disbursement of \$11,440.50 in fiscal year 2016 GEAR UP scholarships, affecting 78 students. According to 34 CFR 694.13, the minimum scholarship amount an eligible student receives in a fiscal year must not be less than (a) 75 percent of the average cost of attendance for an in-State student at public institutions of higher education; or (b) the maximum Federal Pell Grant award funded under section 401 of the HEA for the award year in which the scholarship is awarded.

This error occurred due to the University's attempts to provide funding to the maximum number of students based on projections of funds available. However, the University did not receive prior approval to reduce the scholarship amounts. Adjusting the criteria for determination of scholarship benefit without approval could result in noncompliance with program requirements.

Recommendation:

We recommend the University award GEAR UP scholarship funds in accordance with the minimum program requirements.

University's Response:

We agree with the finding. During the 2015-16 school year, we reduced the GEAR UP scholarship awards because our projections showed that we may run out of funds before the last awardees would graduate. After making projections of student scholarship needs, we made changes to make distribution of awards equitable for all students, both those who had

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

received awards for many years, and especially those who had only received awards for just a few semesters. We lowered the maximum award possible to \$5600 for the 2015-16 academic year. Therefore, those students who had received awards for less than eight semesters received up to \$2800 per semester. Those students who had received the award for eight semesters or more received up to \$1400 per semester. Each was prorated if the student was less than full-time.

Corrective Action Plan:

Based on guidance from our federal program officer, it was determined that students who had received the scholarship for less than four years should have received an award which equaled the PELL they were eligible for. The following corrective action plan was thus implemented.

- 1. We adjusted and repaid the award for those students who have received awards for less than nine semesters or four years so they receive the maximum PELL amount they were eligible for the 2015-16 academic year. Therefore, as a Corrective Action, all GEAR UP scholarship students who were underpaid during the 2015-16 school year were contacted by July 29, 2016 and informed that they had been underpaid during the 2015-16 school year. All of the checks to repay the students affected were submitted for payment by July 29, 2016.*
- 2. For all future GEAR UP scholarship students, they will receive the maximum PELL amount they are eligible for through their first eight semesters or four years of higher education.*
- 3. For those students who have already received awards for more than eight semesters or four years, we may lower or terminate the award based on the remaining available scholarship funds and yearly projections.*

Contact Person: Laurie Miller, GEAR UP Director, 801-863-6567

Anticipated Completion Date: Implemented immediately.

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

3. UNTIMELY AND INACCURATE ENROLLMENT REPORTING

Federal Agency: **Department of Education**

CFDA Number and Title: **84.063 Federal Pell Grant Program**
84.038 Federal Perkins Loan – Federal Capital Contributions
84.268 Federal Direct Student Loans

Federal Award Number: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Finding Number: N/A

The University did not ensure that enrollment changes were reported to the National Student Loan Data System (NSLDS) in an accurate and timely manner. We tested the reported enrollment status for 8 students who either withdrew (officially or unofficially) or graduated from the University, out of a statewide sample of 40, and noted the following errors:

- In one instance, the student had withdrawn from the University, but his status was reported as enrolled. When considering enrollment status changes, the University applied its own definition of “withdrawn” and considered the student “enrolled” until the end of the semester. 34 CFR section 668.22(b)(3) states, the “withdrawal date is the last date of academic attendance. . . as determined by the institution from its attendance records.”
- In another instance, the student had graduated from the University, but his status change was not reported to NSLDS until 17 days beyond the 60-day period. According to the NSLDS Enrollment Reporting Guide, the University must report attendance changes within 30 days of determination unless a roster will be submitted within 60 days. This error occurred due to the University’s inadequate oversight of reporting cycle delays when reporting to the National Student Loan Clearinghouse (Clearinghouse), who then passes the data onto NSLDS.

According to the NSLDS Enrollment Reporting Guide, the school is ultimately responsible for timely and accurate reporting. Inaccurate and untimely reporting of a student’s enrollment status could cause inappropriate delays in converting student loans to repayment status and could also affect the protection of a student’s interest subsidy. In addition, inaccurate and untimely information reported to the Clearinghouse results in the distribution of incorrect data to NSLDS as well as to other users of NSLDS.

Recommendation:

We recommend the University apply the federal definition of “withdrawal date” when determining student enrollment status changes. We also recommend the University

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improve internal control procedures to ensure timely submission of enrollment reporting data, including through the Clearinghouse, as needed.

University's Response:

We agree with the finding.

Corrective Action Plan:

Unofficial Withdrawal

When it is determined that a student has unofficially withdrawn from the University, the record will be updated by a Registrar's Office employee in the Clearinghouse database as withdrawn. This determination of an unofficial withdrawal for the current term, cannot be made until grades are submitted and rolled to academic history. In addition, when a student unofficially withdraws from UVU, a Financial Aid and Scholarships Office employee must review the student's file to determine if the student is eligible for federal financial aid the student might have received during that semester. During this time, the employee also reviews the student's NSLDS record to determine if the student's Enrollment Status Code reflects Withdrawn. If it does not, the Financial Aid and Scholarships Office employee will update the status to Withdrawn. This ensures the student's record is updated in a timely manner.

This student's record has been updated in the Clearinghouse and NSLDS. This process is currently in place.

Graduation Status

The information for this student was reported to the Clearinghouse, but they cannot give us a reason why it was not reported to NSLDS within the specified time.

An employee from the Registrar's Office will check the Clearinghouse report 10 days after submission to ensure all records have been reported. If they do not show reported, we will re-submit the file to the Clearinghouse and then once again follow up to be sure all have been reported to NSLDS. This process is currently in place.

*Contact Persons: John Curl, Director of Financial Aid and Scholarships, 801-863-6746
Michelle Chatterley, Associate Registrar/Registration and Records,
801-863-5685*

Anticipated Completion Date: Process is in place