

SALT LAKE COMMUNITY COLLEGE

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

Report No. 16-12



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. 16-12

November 3, 2016

To the Board of Trustees, Audit Committee,
and
Denece Huftalin, President
Salt Lake Community College

This management letter is issued as a result of Salt Lake Community College's (College'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 College'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 College'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 College'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 College'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 and 2 to be significant deficiencies.

The College'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 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,



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

cc: Dennis Klaus, Vice President of Business Services
Dr. Charles Lepper, Vice President of Student Services
Eric Weber, Assistant Vice President of Student Enrollment Services
Douglas Hansen, Controller/Business Manager
Randy Cutliff, Director of Internal Audit
Cristi Millard, Financial Aid Director
Gregory Roberts, TRIO Program Director
Jill Kemerer, Director, School Relations
Rick Bouillon, CTE Director

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<u>Finding Type:</u>	<u>Applicable To:</u>
SD Significant Deficiency of Internal Control	f Federal Program
RN Reportable Noncompliance or Illegal Acts	

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

1. UNTIMELY ENROLLMENT REPORTING

Federal Agency: **Department of Education**

CFDA Numbers and Titles:

84.038 Federal Perkins Loan

84.063 Federal Pell Grant Program

84.268 Federal Direct Student Loans

Federal Award Numbers: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Salt Lake Community College (College) did not report one student's enrollment status change to the National Student Loan Data System (NSLDS) until 196 days past the College's determination date. We selected four College students from a statewide sample of 40 students tested to determine whether enrollment changes were being properly reported to NSLDS. According to the NSLDS Enrollment Reporting Guide, the College must report attendance changes within 30 days of determination unless a roster will be submitted within 60 days.

This error occurred because the College did not resolve in a timely manner the errors caused by inconsistent student information between the College system and the National Student Loan Clearinghouse (Clearinghouse), a third-party servicer, resulting in delay of enrollment status reporting to the NSLDS. 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, 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 College resolve inconsistent student information between its system and the Clearinghouse to ensure timely reporting of student status data, including through the Clearinghouse, as needed.

College's Response:

We are in agreement with this finding.

Corrective Action Plan:

The Office of the Registrar and Academic Records is responsible for enrollment reporting. It was discovered in the spring of 2016 that when submitting the enrollment report to NSLDS

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student records must have an “active address” or the student information is removed from the report. As a result, the student identified in the State finding was removed from the NSLDS report and shown as an error due to the missing address. Once the error was identified, fixed and resubmitted there was a long delay.

In response to this finding, the Registrar’s Office in conjunction with the Office of Information Technology (OIT) has modified the College enrollment report so that the required address information is not left blank when submitted to the Clearinghouse. In addition, the Registrar’s Office will seek clearer error report data from the Clearinghouse and work with OIT on creating a more efficient (electronic) process to identify specific NSLDS reported errors and make corrections on a timelier basis.

Contact Person: MaryEtta Chase, Registrar, 801-957-4799

Anticipated Completion Date: February 28, 2017

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 Numbers: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Numbers: **2015-018; 2014-010**

We tested the Fiscal Operations Report and Application to Participate (FISAP) submitted by the College for the federal award year 2014-2015 and noted the amounts reported on the following lines either did not agree to supporting documentation or did not have supporting documentation:

- a. Part III, Section C, Line Item 1.1, Column (c).
- b. Part III, Section C, Line Item 2, Columns (b) – (d).
- c. Part III, Section C, Line Item 2.1, Columns (b) – (d).
- d. Part III, Section C, Line Item 2.2, Columns (b) – (d).
- e. Part III, Section A, Line Item 6, Columns (d).

The College entered an incorrect amount on the line item noted in a. above due to an inaccurate calculation, which resulted in an understatement of \$1,930,276 on this line of the report. The College did not have adequate supporting documentation for the amounts noted

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in b. through e. above. Without supporting documentation, we were unable to determine whether the amounts reported were correct or, if incorrect, the amount of the errors. Based on prior year FISAP reports submitted by the College, we estimate that the possible errors in these line items are less than \$400,000.

According to the FISAP instructions, each institution's chief executive officer must certify that the data on the report is accurate. Although the report was certified, the College does not have adequate internal controls to allow for proper verification of the report's accuracy. In addition, the College has an inadequate understanding of the instructions, made clerical errors on the report, and failed to maintain sufficient supporting documentation. Errors on the FISAP report and lack of supporting documentation for the amounts reported on the FISAP report could potentially affect the amount of aid awarded to the College in future award years.

Recommendation:

We recommend the College strengthen internal controls to allow for proper verification of the FISAP report's accuracy and maintain adequate supporting documentation.

College's Response:

The College action plan for the prior year finding stated that a FISAP team consisting of a representative from the Financial Aid Office and personnel from the Controller's Office would be created to review and prove all numbers and calculations on the FISAP. Unfortunately, the 2015 FISAP report was submitted before last year's finding was received and before this team was created to review that report. In addition, a staff member responsible for the loans data terminated shortly after the 2015 report was submitted. Consequently, we anticipated the potential for an error and agree with the finding.

Corrective Action Plan:

Starting with the 2016 FISAP report, a FISAP report team described above will convene as a group to review and ensure that reported data on the final FISAP due in December 2016 is accurate and agrees with College supporting documentation.

*Contact Persons: Nate Millward, Assistant Controller, 801-957-4223
Cristi Millard, financial Aid Director, 801-957-4145*

Anticipated Completion Date: December 31, 2016