

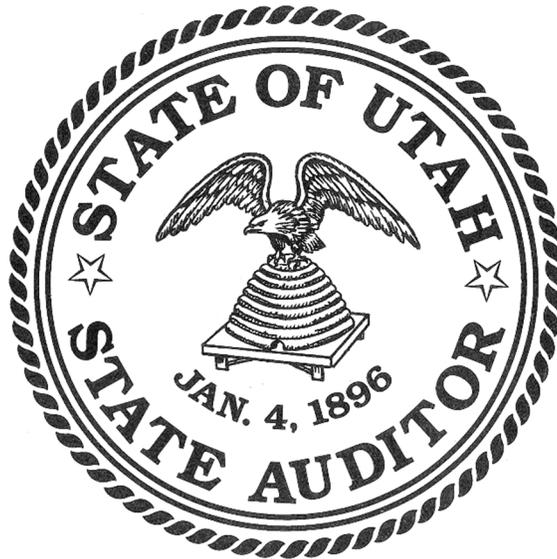
# UNIVERSITY OF UTAH

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Single Audit Management Letter  
For the Year Ended June 30, 2019

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Report No. 19-10



## OFFICE OF THE STATE AUDITOR

### AUDIT LEADERSHIP:

John Dougall, State Auditor  
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**UNIVERSITY OF UTAH**  
**Single Audit Management Letter**  
 FOR THE YEAR ENDED JUNE 30, 2019

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Failure to Design and Implement Internal Controls Over Enrollment Reporting	Student Financial Assistance Programs	SD-f, RN-f	3

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



OFFICE OF THE  
STATE AUDITOR

**SINGLE AUDIT MANAGEMENT LETTER NO. 19-10**

December 4, 2019

Ruth V. Watkins, President  
University of Utah  
201 S. President's Circle, Room 203  
SLC, Utah 84112

This management letter is issued as a result of the University of Utah's (University's) portion of the statewide single audit for the year ended June 30, 2019. 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 University's portion of the Student Financial Assistance cluster, including:

- 84.007 Federal Supplemental Educational Opportunity Grants
- 84.033 Federal Work-Study Program
- 84.038 Federal Perkins Loan Program
- 84.063 Federal Pell Grant Program
- 84.268 Federal Direct Student Loans
- 93.264 Nurse Faculty Loan Program
- 93.342 Health Professions Student Loans
- 93.364 Nursing Student Loans

In planning and performing our statewide compliance audit of the programs listed above, we considered the University's compliance with the types of compliance requirements subject to audit as described in the *OMB Compliance Supplement* for the year ended June 30, 2019. 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 programs tested in order to determine the audit 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 be reported under Uniform Guidance.

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. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

We also identified the finding as an instance of noncompliance which we are required to report under the Uniform Guidance.

The University's written response to and Corrective Action Plan for the finding 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 and not to provide an opinion on the effectiveness of the University'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 University's personnel 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  
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handrus@utah.gov

cc: Cathy Anderson, Chief Financial Officer  
Lori McDonald, Vice President for Student Affairs  
Laura M. Howat, Interim Associate Vice President for Financial and Business Services  
Todd Kapos, Associate Director for Accounting and Finance  
Lisa Zaelit, Associate Director for Income Accounting  
Brenda Burke, Financial Aid Director  
Kenneth M. Erickson, Director for Research Management and Compliance

## FINDING AND RECOMMENDATION

### 1. **FAILURE TO DESIGN AND IMPLEMENT INTERNAL CONTROLS OVER ENROLLMENT REPORTING**

Federal Agency: **Department of Education**

CFDA Numbers and Titles: **84.038 Federal Perkins Loan Program**  
**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

The University of Utah (University) did not design and implement internal controls to prevent or to detect and correct inaccurate and untimely student enrollment status reporting. As a result, we identified 3 instances of noncompliance from a sample of 25 students (a 12 percent error rate) as follows:

- a. One student was reported as withdrawn although the University determined the student's status to be graduated.
- b. One student was reported as attending full-time although the University retroactively determined the status to be half-time.
- c. One student was reported as attending half-time although the University retroactively determined the status to be withdrawn.

The University did not report the change of status of these three students within 60 days. According to 34 CFR 685.309, 34 CFR 682.610, 34 CFR 674.33, and the NSLDS Enrollment Reporting Guide, the University must report relevant enrollment changes within 30 days of determination unless a roster will be submitted within 60 days. Additionally, 2 CFR 200.303 requires non-federal entities to establish and maintain effective internal control that provides reasonable assurance that the non-federal entity is managing the program in compliance with terms and conditions of the federal award. The University's internal processes for enrollment reporting did not include reviewing graduation status error reports or the reports showing enrollment status changes. Inaccurate and untimely reporting to the NSLDS could cause inappropriate delays in converting student loans to repayment status and could also jeopardize a student's interest subsidy.

#### **Recommendation:**

**We recommend the University design and implement internal controls over changes in student enrollment status.**

University's Response:

*The University agrees with the finding.*

Corrective Action Plan:

*Retroactive changes: The Registrar's Office worked with the National Student Clearinghouse (NSC) to make these retroactive petition enrollment changes. NSC did not have best practice recommendations in place for these types of changes since this situation was not a known issue to them.*

*The corrective action plan currently in place will involve the Registrar's Office reporting to NSC the change in the student's enrollment status after processing a retroactive petition within 5 business days. The Registrar's Office will also send an email to the University Office of Scholarships and Financial Aid within the same 5 business days of processing the retroactive petition to notify them that updates to NSLDS should be made. The Registrar's Office will validate the change in status within NSC when they report that the change has been made.*

*Change in student status: The Registrar's Office will assign a staff member to be responsible for manually reviewing the students' files that show as rejected on our current graduated student file, and to make the necessary updates to the individual student's status via NSC's web interface. Through this audit, the Registrar's Office learned the file they are sending currently is a supplemental file for a NSC service. Next year (2020), the Registrar's Office will update the NSC enrollment file to include the graduating students (G status). Until this is complete, they will continue to update the students' records manually to be in compliance. The graduating student file will update the students' status to a "G" only if it is a one-to-one relation, meaning the student did not graduate with a double major. This is the reason NSC recommends submitting the "G" status through the enrollment file, where the report allows all program statuses for a student to be submitted.*

*Contact Persons: Brenda Burke, Executive Director University Office of Scholarships and Financial Aid, bburke@utah.edu and  
Tim Ebner, University Registrar, tebner@utah.edu*

*Anticipated Correction Date: January 31, 2020*