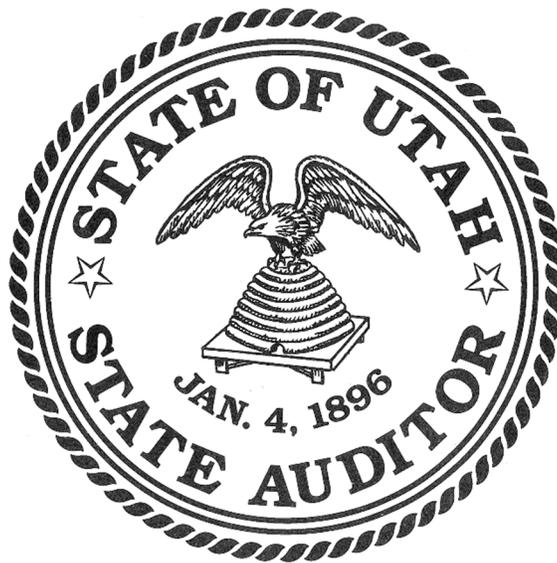


DIXIE STATE UNIVERSITY

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

Report No. 19-04



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

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

DIXIE STATE UNIVERSITY
Single Audit Management Letter
FOR THE YEAR ENDED JUNE 30, 2019

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

SINGLE AUDIT MANAGEMENT LETTER NO. 19-04

December 4, 2019

Richard B. Williams, President
Dixie State University
225 South 700 East
St. George, Utah 84770

Dear President Williams:

This management letter is issued as a result of the Dixie State University'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

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 certain deficiencies in internal control over compliance (Findings 1 and 2) that we consider to be significant deficiencies.

We also identified Findings 1 and 2 as instances of noncompliance which we are required to report under the Uniform Guidance.

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 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
801-808-0467
handrus@utah.gov

cc: Peter Gitau, Ph.D, Vice President of Student Affairs
Paul Morris, Vice President of Administrative Affairs
Scott Jensen, Executive Director of Business Services
Stacy Carroll, Director of Accounting
Michael C. Pinegar, Director of Internal Audit
J.D. Robertson, Executive Director, Financial Aid Office

FINDINGS AND RECOMMENDATIONS

1. UNTIMELY ENROLLMENT REPORTING

Federal Agency: **Department of Education**

CFDA Numbers and Titles: **84.063 Federal Pell Grant Program**

84.268 Federal Direct Student Loans

84.038 Federal Perkins Loan Program

Federal Award Number: **Various**

Questioned Costs: \$0

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Dixie State University (University) did not ensure that enrollment status changes were reported to the National Student Loan Data System (NSLDS), via a third party servicer, in a timely manner for 4 of the 25 students sampled. The delays ranged from 21–28 days late. 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.

The University's current process does not fully capture the enrollment information for students who have withdrawn or graduated. Untimely reporting of enrollment status could cause inappropriate delays in converting student loans to repayment status, could affect the protection of a student's interest subsidy, and may result in the distribution of incorrect student data.

Recommendation:

We recommend the University correct its current process to fully capture student enrollment information and properly report this information to NSLDS in a timely manner.

University's Response:

We agree.

Corrective Action Plan:

Dixie State University will report a final semester enrollment status report to NSLDS via the Clearinghouse after final grades are entered and the unofficial withdrawal process has been completed. The report will be sent to the Clearinghouse before the next semester's report is due. By sending this report, we will meet the required reporting timelines and the correct enrollment status for students who fail to complete a semester.

Contact Person: Julie Stender, Registrar, (435) 652-7703

Anticipated Correction Date: Already completed and implemented

2. UNTIMELY LOAN DISBURSEMENT NOTIFICATION

Federal Agency: **Department of Education**
CFDA Number and Title: **84.268 Federal Direct Student Loans**
Federal Award Number: **Various**
Questioned Costs: \$0
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

The University's Financial Aid Office failed to send disbursement notices within the required timeframe for all Spring 2019 semester direct student loan disbursements. Federal regulations (34 CFR 668.165) require disbursement notices to be sent to the student no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution. The Financial Aid Office was not notified when the Information Technology Department made updates to the systems involved in generating the notices. Consequently, the Financial Aid Office did not perform testing after the update to ensure the systems would properly generate the required notifications. Not sending the appropriate disbursement notifications resulted in the University being noncompliant with federal regulations for all Federal Direct Student Loans disbursed in Spring 2019.

Recommendation:

We recommend the University perform testing to ensure the systems used to generate loan disbursement notices properly generate and send notices within the required timeframe.

University's Response:

We agree.

Corrective Action Plan:

The issue discovered during the recent audit concerning our loan disbursement notices was a result of an imaging/indexing software upgrade that broke our established process for documenting and tracking the dissemination of said notices.

Our process for both sending and documenting the disbursement notices runs on an automated schedule in which jobs within the schedule run in succession to each other. A simplified version (for explanation purposes) of the process is as follows: 1) Select the population of students who received a loan disbursement the prior day. 2) Pull all specified data for the selected students needed for the notice, including email address. 3) Create and send the disbursement notice. 4) Move a copy of the sent notice in to the student's file. 5) Update RUAMAIL (in Banner) with the appropriate code to show the notice has been sent. The schedule works such that when the 1st job is successful, it moves on to the 2nd and so on. However, if any of the jobs are not successful the schedule stops at the failed job and does not finish any remaining jobs. The issue we experienced occurred at job 4 (copying the file to the student's account) as the schedule would fail due to the

file path being broken as a result of the software upgrade. This caused not only the copy to fail but the RUAMAIL update would not run either.

As a result of the issue stated above, our ability to document our loan disbursement notices was compromised. Upon discovery of this issue, immediate corrective action was taken and appropriate checks established to prevent any further issue. For instance, if an error occurs within the schedule a notification is immediately sent to two office staff by email. In addition, as a matter of procedure we will be regularly checking both the imaging files and RUAMAIL to make sure the process is functioning as expected.

*Contact Person: Dustin Johnson, Associate Director–Financial Aid & Scholarships,
(435) 652-7583*

Anticipated Correction Date: Already completed and implemented