

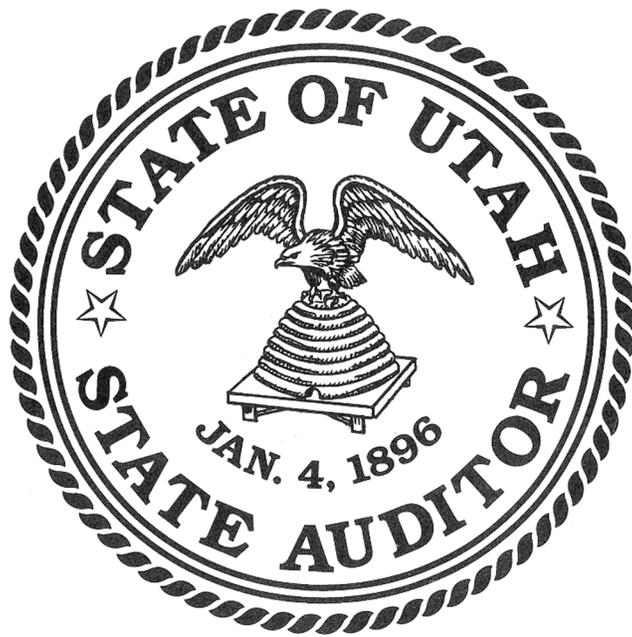
# Snow College

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Management Letter  
For the Year Ended June 30, 2020

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Report No. 20-42



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor  
Bertha Lui, CPA, Senior Audit Manager  
Chantel Wixon, CPA, Audit Supervisor

**SNOW COLLEGE**  
 FOR THE YEAR ENDED JUNE 30, 2020

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<u>Finding Type:</u>	<u>Applicable To:</u>
MW Material Internal Control Weakness	s State Financial Statements
SD Significant Deficiency of Internal Control	f Federal Program
MN Material Noncompliance	e Entity Financial Statements
RN Reportable Noncompliance or Illegal Acts	



OFFICE OF THE  
**STATE AUDITOR**

**MANAGEMENT LETTER NO. 20-42**

May 26, 2021

Bradley J. Cook, President  
Snow College  
150 East College Avenue  
Ephraim, Utah 84627

Dear President Cook:

This management letter is issued as a result of our audit of Snow College's (the College's) portion of the statewide federal compliance audit (Single Audit) for the year ended June 30, 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Our final reports on internal controls and on compliance required under *Government Auditing Standards* and federal *Uniform Guidance* will be issued under separate cover. These reports will also provide further detail as to considerations made during the course of the audit regarding internal controls and compliance, both at the financial statement and at the federal program level, and the limited purposes of those considerations. The purpose of this letter is to communicate with College management concerns identified during the course of our audit.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees to prevent or to detect and correct on a timely basis misstatements, errors, or instances of noncompliance. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements, errors, or noncompliance are not prevented or are not detected and corrected on a timely basis.

Based on the audit procedures performed, we identified a deficiency in internal control which, while not considered material, we consider to be significant enough to merit the further attention of management and those charged with governance (Finding 1).

In addition, during our audit, we also became aware of a certain deficiency in internal control (Finding 2) that is an opportunity for strengthening internal controls and operating efficiencies.

The College's written response to and Corrective Action Plan for Finding 1 will be included in the final reports identified in the second paragraph above.

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 College's internal control over compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this letter is a matter of public record, and as such, its distribution is not limited.

We appreciate the courtesy and assistance extended to us by the College'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,

A handwritten signature in cursive script that reads "Bertha Lui".

Bertha Lui, CPA  
Senior Audit Manager  
801-808-0481  
blui@utah.gov

cc: Carson Howell, Vice President of Finance and Administrative Services  
Meagan White, CPA, Controller

## Findings and Recommendations

### 1. Contract Addendum Noncompliant with Federal Procurement Regulations

Federal Agency: Department of Education

CFDA Number and Title: 84.425F – Higher Education Emergency Relief  
Fund (HEERF) - Institutional Portion

Federal Award Number: P425F201257

Questioned Costs: \$23,167

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Snow College (the College) did not conduct a procurement in accordance with Federal regulations. In February 2020, prior to the outset of the COVID-19 pandemic (the pandemic), the College entered into a contract with an online program management provider (the OPM) to enhance its online education program. This contract was focused solely on non-campus based students. In May 2020, subsequent to the outset of the pandemic, the College entered into a contract modification with the OPM that replaced the original contract and effectively expanded the contract to assist the College in expanding its online education for traditional on-campus students. The contract modification significantly increased the price of the contract to an annual amount of \$196,000. In addition, the College was not able to provide documentation to support allowability of costs charged to the program. Because the College does not spend much involving contracts subject to federal procurement requirements, management was unfamiliar with the related requirements on procurement and monitoring contracts for allowable activities and costs. As a result, the following control and compliance issues occurred:

- **The College did not have control procedures to ensure compliance:**

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 College did not have the required control procedures to ensure compliance with federal requirements related to contracts.

- **The contract was noncompliant with grant guidance and contract services were not monitored:**

In relation to the use of OPMs, the United States Department of Education Higher Education Emergency Relief Fund Frequently Asked Questions (FAQ) Rollup Document, Question 40, stated that, “institutions may use the funds for Recipient’s Institutional Costs to pay a per-student fee to a third-party service provider, including an OPM, for each additional student using the distance learning platform.” The College was unable to produce any documentation related to a per-student fee. In addition, the College was unable to produce sufficient documentation that the OPM provided the agreed upon services and to support the costs was for allowable activities and costs.

- **The College did not ensure the OPM was not suspended or debarred:**

2 CFR section 180.300 requires that “when ... enter[ing] into a covered transaction ... you must verify that the person [or entity] with whom you intend to business is not excluded or disqualified.” The College’s standard procedure is to include a clause in contracts certifying that the vendor is not suspended or debarred. Neither the original contract nor the contract modification contained any such clause. The College did not perform any procedures to ensure the OPM was not suspended or debarred.

- **The College did not adequately document the procurement process:**

2 CFR 200.318(i) requires that “the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include ... rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

The contract extension used was a non-competitive procurement, or a sole-source award. While the use of a non-competitive procurement may have been justified based on the criteria in 2 CFR 200.320(f), the College could not produce documentation of its rationale for limiting competition, selection of contract type, or selection of the OPM.

- **The College did not perform the required cost or price analysis:**

2 CFR 200.324 requires that, “the non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications.” Although the contract modification was above the simplified acquisition threshold, the College did not perform any acceptable cost or price analysis.

These control and compliance issues increase the risk that the College may incur costs that were not in compliance with allowable activities and costs, procurement, suspension and debarment requirements. We questioned the amount of \$23,267 charged to the grant.

Based on subsequent communication, the College anticipates having additional eligible expenditures that may be used to replace these questioned costs in the following year by the end of the grant period.

Recommendation:

We recommend the College familiarize itself with federal procurement requirements and establish effective control procedures to ensure compliance with federal procurement, allowable activities, and allowable costs requirements.

Entity’s Response:

*Snow College agrees with this finding. At the time of the original procurement of the consultant, institutional funds had been established for the payment of these services. In response to the*

*COVID-19 pandemic and in keeping with the original intent of the contract, an addendum was written that expanded services by the contractor. Since the services were expanded to include online delivery of Snow College courses directly related to the institution's response to COVID-19, the addendum was determined to be paid through CARES Act relief funds. State procurement code was followed when the original contract was signed, but since Snow College had not originally intended to pay any portion of the contract in question from federal dollars, the federal procurement process was not followed. Snow College agrees with the finding and will ensure federal procurement code is followed when the institution plans to spend federal monies.*

*Contact Person: Carson Howell, Vice President of Finance and Administrative Services,  
435-283-7213  
Anticipated Correction Date: May 25, 2021*

## **2. Lack of Controls Over Student Aid Report**

Snow College did not have controls over the Student Aid Report, therefore, it was not publicly posted within the prescribed timeline and contained some inaccuracies relating to disbursement methodology. 85 FR 53802 requires entities to post the initial report within 30 days of the obligation of funds or the date the initial U.S Department of Education HEERF Reporting notice was published, whichever is later. For the College, the report was required to be posted 30 days following the Reporting notice, however it was posted 7 days late. We also noted that there was inaccurate information in the Methodology portion. Because the College prepared the report through corroborated effort and was confident in the preparers' knowledge, management concluded that a final independent review of the overall report was not needed.

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." Thus, the College should have performed a final review of the overall report.

A lack of exercising proper controls, such as independent review, on reports increase risks of inaccuracy and untimely reporting.

### Recommendation:

We recommend the College implement a review over reports to ensure accuracy and timeliness.

### Entity's Response:

*Snow College agrees with this finding. Our report was posted on our website seven days after the deadline. We have since made adjustments to our internal processes to ensure that we are timely on our reporting. The report was a collaborative effort and was posted after all the different parties completed their sections. The audit recommends that after that collaboration, there should be a single person to review and sign off on the report. This has also been*

*addressed and the Vice President of Finance and Administrative Services will serve as that point person to authorize the report.*

*Contact Person: Carson Howell, Vice President of Finance and Administrative Services,  
435-283-7213  
Anticipated Correction Date: May 25, 2021*