



RADFORD UNIVERSITY

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2015

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
(804) 225-3350



## AUDIT SUMMARY

Our audit of Radford University (University) for the year ended June 30, 2015, found:

- the financial statements are presented fairly, in all material respects;
- no internal control findings over financial reporting requiring management's attention; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and we found noncompliance in relation to this testing, which requires management's attention.

We have audited the basic financial statements of the University as of and for the year ended June 30, 2015, and issued our report thereon, dated May 18, 2016. Our report, included in the University's Annual Report, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the University's website at [www.radford.edu](http://www.radford.edu).

## –TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
COMPLIANCE FINDINGS AND RECOMMENDATIONS	1-3
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	4-6
UNIVERSITY’S RESPONSE	7-8
UNIVERSITY OFFICIALS	9

## COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Compliance Over Enrollment Reporting**

The University did not properly report enrollment changes to the U.S. Department of Education using the National Student Loan Data System (NSLDS). For 15 out of 40 (38 percent) students, the University did not report the students to NSLDS within 30 days of the institution's determination of their status change. The University did not report the students timely because the Registrar's staff was unaware of this requirement.

In accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2), unless the University expects to submit its next student status confirmation report within 60 days, the University must notify the U.S. Department of Education within 30 days of an enrollment change. Additionally, the NSLDS Enrollment Reporting Guide, published by the U.S. Department of Education, identifies specific parameters, which institutions must meet to achieve compliance with these reporting regulations.

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data the University reports plays a large part in keeping Direct Loan records and other federal student records accurate and up to date.

The University should evaluate their existing policies and procedures for scheduling and completing enrollment updates to NSLDS so it ensures future compliance with federal requirements. In addition, the University should ensure that staff are informed of the federal requirements or training is identified for staff involved in the enrollment reporting process.

### **Perform and Document Monthly Reconciliations**

The University did not include all required components in the reconciliation of accounting records for Direct Loan and Pell financial aid awards. Specifically, there is no reconciliation being performed between the financial aid and accounts receivable modules within their ERP system. Additionally, for Direct Loans, the Financial Aid Office did not reconcile the ending cash balance on the monthly School Account Statements to the University's financial records. The Financial Aid and Student Account Offices did not coordinate their efforts to ensure the reports were properly reconciled.

As described in the Federal Student Financial Aid requirements, internal reconciliations are performed to compare the business office records to financial aid office records for aid awarded to students. Also, in accordance with 34 CFR §685.300(b)(5), on a monthly basis, institutions must reconcile institutional records with Direct Loan funds from the Secretary of Education (Secretary) and Direct Loan disbursement records submitted to and accepted by the Secretary. This reconciliation must include the ending cash balance that represents the difference between the new

drawdowns/payments and the actual disbursement information accepted by the Common Origination and Disbursement system.

By not reconciling federal student aid programs monthly as required, the University places itself at more risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal non-compliance and may lead to potential adverse actions and may impact participation by the University in Title IV programs.

The University should perform and retain sufficient documentation of their monthly reconciliations and resolve reconciling items between their financial systems and the Direct Loan Servicing System records in a timely manner to ensure compliance with federal regulations.

### **Promptly Process Return of Title IV Calculations**

The University delayed up to five days before identifying two out of 14 (14 percent) students tested who unofficially withdrew from courses during the Fall 2014 semester. This was a result of a position vacancy. The Financial Aid Office did not routinely review for unofficial withdrawals for the Summer semester.

Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. All calculations of Title IV funds are required to be completed within 30 days of semester end, and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.

Improperly identifying, calculating, and not returning unearned Title IV funds timely to the U.S. Department of Education may result in adverse actions and impact the Institution's participation in Title IV programs. The University should improve current processes to enable timely identification of withdrawals and, if necessary, prompt return of Title IV funds to the U.S. Department of Education within the prescribed 45-day timeframe.

### **Improve Notification of Awards to Students**

The University did not provide notifications to students awarded aid of federal Direct Loan awards over weekends. The Student Accounts Office is required to provide written notification to students which include important details on the rights, options, and requirements of the student loan. The Student Accounts Office was not aware that the Financial Aid Office awarded students over the weekends. Consequently, the Student Accounts Office did not provide the notifications to these students.

Code of Federal Regulations, Title 34 CFR §668.165(a), requires institutions, prior to disbursing Title IV funds for any award year, to properly notify a student receiving direct loans, in

writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan.

Not properly notifying students in accordance with Code of Federal Regulations may result in adverse actions and impact the University's participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan.

The University should improve its process for communicating the awarding and sending of written notifications to all students who receive federal Direct Loan awards as required by the Code of Federal Regulations.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

May 18, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Radford University

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

We have audited, in accordance with the 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, the financial statements of the business-type activities and aggregate discretely presented component units of **Radford University** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated May 18, 2016. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control 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 financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Compliance Findings and Recommendations" in the findings entitled:

- Improve Compliance Over Enrollment Reporting;
- Perform and Document Monthly Reconciliations;
- Promptly Process Return of Title IV Calculations; and
- Improve Notification Awards to Students.

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on June 17, 2016. The University's response to the findings identified in our audit is described in the accompanying section titled "University's Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the



entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

JMR/alh

June 22, 2016

Martha Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

P.O. Box 6920  
Radford, VA 24142

(540) 831-5411  
(540) 831-2573 (FAX)

[www.radford.edu](http://www.radford.edu)

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations for the year ended June 30, 2015 which were discussed during the financial statement audit exit conference. We understand that these findings were in relation to the testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit.

Radford University acknowledges and concurs with the audit findings. The following contains management's response to each finding. We would like to note that immediate corrective action was taken to address issues of noncompliance, and the applicable offices are continuously reviewing their policies and procedures to ensure their operating effectiveness.

#### **Improve Compliance Over Enrollment Reporting**

To ensure that the University notifies the NSLDS promptly when students graduate and complies with the Code of Federal Regulations, the Registrar's Office has implemented new departmental procedures. These new procedures were effective immediately upon receiving the finding and were implemented beginning with the December 2015 commencement.

The new departmental procedures outline the notification process, the timeline in which it will be performed, and the responsible parties. Additionally, to stay abreast of changes to NSLDS reporting requirements, the Registrar and Associate Registrar now consult the NSLDS newsletter on a monthly basis, and consult with the Director of Financial Aid on a quarterly basis.

The Registrar's Office continues to monitor and validate the procedures and processes put into place to ensure their operating effectiveness on future terms. The Registrar is responsible for overseeing the corrective action, and the anticipated completion date is September 30, 2016.

#### **Perform and Document Monthly Reconciliations**

Previously, the Financial Aid and Student Accounts offices prepared monthly reconciliations between their respective financial records and outside systems, such as the Common Origination and Disbursement (COD) system and the Department of Education's Grant Management System (G5). These offices understand the synergy needed to ensure all required reconciliation elements are included. The two offices have met on multiple occasions and created a comprehensive shared desk procedure and reconciliation template that bridges their individual reconciliations into a comprehensive reconciliation review. The template has been used for multiple months and the desk procedure was effective May 2016. The procedures outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties.

The Financial Aid and Student Accounts Offices continue to monitor and validate the procedures and processes put into place to ensure their operating effectiveness. The Director of Financial Aid is responsible for overseeing the corrective action, and the anticipated completion date is September 30, 2016.

Martha Mavredes, Auditor of Public Accounts  
June 22, 2016  
Page 2

**Promptly Process Return of Title IV Calculations**

The University strives to comply with the federal requirement that all determinations as to whether a student will be considered an unofficial withdrawal must be made within 30 days of the last day of the enrollment period. Although that deadline was missed for two students during the Fall 2014 semester due to a position vacancy, the calculation and return of funds for those students were made timely and in compliance with the federal regulations.

The Financial Aid Office has improved processes and procedures, effective December 2015, to ensure that reviews are done for unofficial withdrawals for Summer terms. The procedures, which include details that are term-specific, outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties (to include backups).

The Financial Aid Office continues to monitor and validate the procedures and processes put into place to ensure their operating effectiveness. The Associate Director of Financial Aid is responsible for overseeing the corrective action, and the anticipated completion date is September 30, 2016.

**Improve Notification of Awards to Students**

Although the Student Accounts Office was diligent in sending the required notifications to all students awarded Federal Direct Loan aid Monday through Friday, it did not provide students the required notification when aid was awarded over weekends. The Student Accounts Office modified desk procedures to ensure all students are properly notified, regardless of when the aid is awarded. These processes and procedures were put into effect December 2015.

The Student Accounts Office continues to monitor and validate the procedures and processes put into place to ensure their operating effectiveness. The Assistant Manager of Student Accounts is responsible for overseeing the corrective action, and the anticipated completion date is September 30, 2016.

I would like to thank you and your staff for the valuable services that you provide.

Sincerely,



Richard S. Alvarez  
Chief Financial Officer and Vice President for Finance & Administration

CC: Dr. Joseph Scartelli, Interim Provost and Vice President for Academic Affairs  
Stephanie Jennelle, University Controller  
Margaret McManus, University Auditor

## UNIVERSITY OFFICIALS

RADFORD UNIVERSITY  
Radford, VA

BOARD OF VISITORS  
As of June 30, 2015

Michael A. Wray  
Rector

Dr. Kevin R. Dye  
Vice Rector

Anthony R. Bedell	Randolph "Randy" Marcus
Mary Waugh Campbell	Alethea "A.J." Robinson
Krishna Chachra	Steve A. Robinson
Matthew B. Crisp	Ruby W. Rogers
Callie M. Dalton	Javaid Siddiqi, Ph.D.
Susan Whealler Johnston, Ph.D.	Georgia Anne Snyder-Falkinham
Christopher Wade	

Michele N. Schumacher  
Secretary to the Board of Visitors

## UNIVERSITY OFFICERS

Penelope W. Kyle  
President

Richard S. Alvarez  
Vice President for Finance and Administration