



JAMES MADISON UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of James Madison University as of and for the fiscal year ended June 30, 2018, and issued our report thereon, dated April 19, 2019. Our report, included in the University's Financial Statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.jmu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; 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 Compliance Supplement; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Compliance over Enrollment Reporting

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

James Madison University (University) did not properly report enrollment changes to the U.S. Department of Education using the National Student Loan Data System (NSLDS) in accordance with 34 CFR §685.309 and the NSLDS Enrollment Guide for students that had withdrawn and/or graduated.

The University did not report an accurate effective date for 12 out of 12 (100%) retroactive withdrawals. There were only 12 retroactive withdrawals for the entire University. By the time the Dean of Student's Office reported the retroactive withdrawals to the Registrar's Office; the Registrar's Office had stopped reporting for that term and started reporting for the next term. This caused the student's withdrawal date to be reported as the end of the term instead of the actual withdrawal date.

In accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2), 34 CFR §690.83(b)(2), and as detailed in Dear Colleague Letter (DCL) GEN 12-06, unless the institution expects to submit its next student status confirmation report within 60 days, the institution 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 reported by each institution is vital to ensuring that Direct Loan records and other federal student records remain updated.

The University should evaluate their current enrollment reporting policies and procedures. Institutional management should enhance current policies and procedures and/or implement corrective action to prevent future noncompliance. Where applicable, management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Improve Notification of Awards to Students

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University did not properly provide loan borrowers with required written notification including details on timing and method of disbursement, borrower rights, and the procedures for notifying the institution of the desire to cancel the loan in accordance with 34 CFR §668.165 (a)(2).

Code of Federal Regulations, Title 34 CFR §668.165(a), requires institutions, prior to disbursing Title IV Higher Education Act Funds for any award year, to notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV Higher Education Act program, and how and when those funds will be disbursed. If those funds include Direct Loans or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. Additionally, 34 CFR §668.165 (3)(i – ii) indicates that for Direct Loans the institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student’s account at the institution, if the institution obtains affirmative confirmation and no later than seven days if the institution does not obtain an affirmative confirmation.

University personnel did not properly notify 25 out of 8,620 Direct Loan recipients (0.3%). Business Office personnel did not initiate a process that must run to generate the loan notifications, and as such, did not provide the required notifications to the affected students.

Not properly notifying students in accordance with Federal Regulations may result in adverse actions and impact the institution’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 review their current policies and procedures for providing notification to federal aid recipients. Corrective measures should be implemented to ensure that students are provided timely notifications, which include required elements.

Improve Reporting to the Common Origination and Disbursement System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University did not provide timely and/or accurate disbursement information to the Common Origination and Disbursement system (COD) in accordance with 34 CFR §668.14(a) and 82 FR 29062.

In accordance with 82 FR 29062, an institution must submit Federal Pell Grant and Direct Loan disbursement records no later than 15 days after making the disbursement or becoming aware of the need to adjust a student’s previously reported disbursement. In accordance with 34 CFR §668.14(a), Title IV funds are disbursed on the date that the institution (a) credits those funds to the student’s account in the institution’s general ledger or any sub-ledger of the general ledger, or (b) pays those funds to the student directly. Title IV funds are disbursed even if the institution uses its own funds in advance of receiving program funds from the Secretary of Education.

University financial aid personnel did not report disbursements timely for 19 out of 45 students (42%). The underlying cause of the noncompliance appears to be the result of employee turnover.

Not submitting disbursement records within the required timeframe may result in the Secretary rejecting all or part of the reported disbursement. Noncompliance may result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty. University management should review their current policies and procedures for submitting disbursement records and implement corrective action to prevent future noncompliance.

Promptly Return Unclaimed Aid to Department of Education

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

University personnel did not return \$38,534 in unclaimed student financial aid funds to the U.S. Department of Education within the required timeframe for 28 of 252 (11%) students tested in accordance with 34 CFR §668.164(I).

In accordance with 34 CFR §668.164(I), if an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check or no later than 45 days after an electronic funds transfer (EFT) is rejected. By not returning funds timely, the institution is subject to federal non-compliance and potential adverse actions that may affect the University's participation in Title IV aid programs. Not performing due diligence activities timely can result in federal non-compliance and subject the institution to potential adverse actions and affect the institution's participation in Title IV programs. The underlying cause of the noncompliance appears to be the result of employee turnover.

Management should evaluate current policies and procedures for returning unclaimed Title IV funds and implement corrective action to prevent future noncompliance. In the event that the University is unable to contact the federal aid recipient and the check remains uncashed or EFT is rejected, the University should ensure that unclaimed funds are returned to the U.S. Department of Education within the required timeframe.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 19, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison 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 discretely presented component unit of James Madison University as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 19, 2019. 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 unit 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 opinions 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 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 internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Improve Compliance over Enrollment Reporting," "Improve Notification of Awards to Students," "Improve Reporting to the Common Origination and Disbursement System," and "Promptly Return Unclaimed Aid to Department of Education," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

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 "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Improve Compliance over Enrollment Reporting," "Improve Notification of Awards to Students," "Improve Reporting to the Common Origination and Disbursement System," and "Promptly Return Unclaimed Aid to Department of Education."

The University's Response to Findings

We discussed this report with management at an exit conference held on April 26, 2019. The University's response to the findings identified in our audit is described in the accompanying section titled "University 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.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

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

AVC/vks



April 24, 2019

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

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2018 audit by the Auditor of Public Accounts (APA).

In response to the federal internal control weaknesses and compliance findings, James Madison University acknowledges and concurs with the audit findings and has completed, or is in the process of implementing, the recommendations made by the APA. We would like to note that immediate corrective action was taken as allowable to address issues of noncompliance, and the applicable offices are continuously reviewing their policies and procedures to ensure their operating effectiveness.

The following contains management's responses to the findings.

Improve Compliance over Enrollment Reporting

Responsible for Corrective Action: Martha Ringwald, Student Data Reporting Analyst, Office of the Registrar's Office

In response to the enrollment audit finding regarding the retroactive withdrawals not reported with the correct effective enrollment status date, we have put measures in place to prevent this from occurring in the future. The Client Services Team Lead, in our office, will notify me of the list he received from the Dean of Students on retroactive withdrawals. I will go into National Student Clearinghouse and update the student's record with the correct withdraw date, instead of it defaulting to the end of the term. We will also follow up by running a query at the beginning of each term to ensure there are no retroactive withdrawals missed from the report.

Office of
ASSISTANT VICE PRESIDENT FOR FINANCE

MSC 5719
Massanutten Hall, Room 331
Harrisonburg, VA 22807
540.568.6433 Phone
540.568.3346 Fax

Improve Notification of Awards to Students

Responsible for Corrective Action: Linda Combs, Director, University Business Office (UBO)

To avoid this compliance issue in the future, the UBO has modified its internal system process to automatically generate the email notification for the loan notifications rather than rely on manual generation.

Improve Reporting to the Common Origination and Disbursement (COD) System

Responsible for Corrective Action: Brad Barnett, Director, Office of Financial Aid and Scholarship

In spring 2018, the Federal Pell Grant Program transitioned to a different Senior Associate Director and a newly-hired Assistant Director for Grants. During this transition, new processes were put into place and training occurred. Some delays in processing can be attributed to both the tuning of the procedures and the learning curve. The situation is stable now.

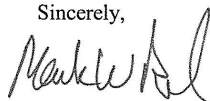
In addition, we currently send origination and disbursement records to COD in the same batch. To increase control, we are going to change our process and send origination and disbursement records to COD separately. This more streamlined approach will permit us to automatically place holds on disbursement records for students whose eligibility has not been confirmed. The automated process should be in production before the spring 2019 disbursements begin.

Promptly Return Unclaimed Aid to Department of Education

Responsible for Corrective Action: Linda Combs, Director, University Business Office (UBO)

To avoid this compliance issue in the future, the UBO has modified its internal process to require our refund vendor to return uncashed refunds to JMU at the 90th day after issuance. Prior to this date, the vendor as well as JMU, are sending emails to the students about the uncashed refunds at the 30th and 60th days after issuance. When the funds are returned to JMU, UBO posts the uncashed refund amount on the student account and on a shared spreadsheet with the Financial Aid Office to monitor until the 21st day prior to the federal deadline of 240 days (since issuance). If the refund remains uncashed and the student has not contacted UBO, the process to return the funds is initiated 21 days prior to the 240-day deadline so that sufficient time is allotted for the funds to be drawn from the State, deposited into the JMU account and returned to the DOE by the deadline.

Sincerely,



Mark W. Angel
Assistant Vice President for Finance

JAMES MADISON UNIVERSITY

As of June 30, 2018

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