



JAMES MADISON UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of James Madison University (the University) as of and for the year ended June 30, 2021, and issued our report thereon, dated April 21, 2022. Our report, included in the University's basic 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 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. Our audit of the University for the year ended June 30, 2021, 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.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Compliance over Enrollment Reporting

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Office of the Registrar did not report accurate and/or timely enrollment data to the U.S. Department of Education (ED) using the National Student Loan Data System (NSLDS), in accordance with Title 34 Code of Federal Regulations (CFR) 685.309, Dear Colleague Letter GEN 12-06, and the NSLDS Enrollment Guide, for students that had withdrawn or had an enrollment level change. From a review of 51 students, we identified the following deficiencies:

- inaccurate effective date of the applicable enrollment status change for six students (12%);
- inaccurate enrollment level status for one student (2%); and
- no reporting of the withdrawal status change at the program level in NSLDS for one student (2%).

The underlying cause of the errors is a combination of factors including programming language errors resulting in the transmission of incorrect data fields and the timing of when the University submitted the last enrollment report. 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 the University is vital to ensuring that federal Direct Loan records and other federal student records remain updated. The Office of the Registrar should evaluate its current enrollment reporting procedures and should implement corrective measures to prevent future noncompliance.

Promptly Return Unclaimed Aid to the Department of Education

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Business Office did not promptly return unclaimed student financial aid funds to the ED within the required timeframe. Specifically, for nine of 106 (8%) unclaimed checks returned; the Business Office was up to 12 days later than required in returning the funds. University management was aware of the unclaimed checks; however, staff were unable to perform follow-up reviews due to the COVID-19 pandemic and staff turnover.

In accordance with 34 CFR 668.164(I), if an institution attempts to disburse funds by check and the recipient does not cash the check, 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 a rejected electronic funds transfer (EFT). Not

returning funds timely can result in federal noncompliance and subject the University to potential adverse actions affecting its participation in Title IV aid programs.

The Business Office should evaluate current policies and procedures for returning unclaimed Title IV funds timely and implement corrective action to prevent future noncompliance. If the University is unable to successfully contact the federal aid recipient and the check remains uncashed or the EFT is rejected, the University should return the unclaimed funds to the ED within the required timeframe.

Properly Complete Exit Counseling for Federal Direct Loan Borrowers

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Financial Aid and Scholarship Office personnel did not confirm all federal Direct Loan borrowers that dropped to less than half-time enrollment completed online exit counseling. From a review of 31 students, we identified that the University did not provide five borrowers (16%) with the required exit counseling materials.

In accordance with 34 CFR 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. By not performing this function, students may not receive relevant information related to repayment of their student loans.

The Financial Aid and Scholarship Office uses an automated system to send the required exit counseling communications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of exit counseling materials to students following withdrawal, graduation, or enrollment at less than half-time. Consequently, staff were not aware of programming language within the automated system that prevented the creation of the exit counseling communications to some borrowers receiving Direct Loans when they dropped to less than half-time but stayed enrolled for at least one credit hour during the term.

The University should enhance current procedures related to sending exit counseling materials to federal Direct Loan borrowers and ensure it properly notifies all applicable borrowers of exit counseling requirements through a non-institutional email address, by mail at the student's last known address, or by interactive electronic means.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 21, 2022

The Honorable Glenn Youngkin
Governor of Virginia

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 aggregate discretely presented component unit and remaining fund information of James Madison University (the University) as of and for the year ended June 30, 2021, 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 21, 2022. 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 University's component unit, which was audited by another auditor 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 (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We did identify certain deficiencies in internal control titled "Improve Compliance over Enrollment Reporting," "Promptly Return Unclaimed Aid to the Department of Education," and "Properly Complete Exit Counseling for Federal Direct Loan Borrowers," 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 financial statements. 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 titled "Improve Compliance over Enrollment Reporting," "Promptly Return Unclaimed Aid to the Department of Education," and "Properly Complete Exit Counseling for Federal Direct Loan Borrowers."

The University's Response to Findings

We discussed this report with management at an exit conference held on April 18, 2022. 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.

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 Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj



May 12, 2022

Staci Henshaw, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2021 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 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.

Promptly Return Unclaimed Aid to the Department of Education

Responsible for Corrective Action: Brandon Cline-Taskey, Director, University Business Office (UBO)

To avoid this compliance issue in the future, the UBO has modified its internal system process to automatically generate a scheduled weekly report that is emailed to the Accounting Specialist, giving priority to follow-up on any items listed.

Improve Compliance over Enrollment Reporting

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

In response to the enrollment audit finding regarding inaccuracies with withdrawal dates and enrollment status change dates, measures have been put into place to prevent this from occurring in the future. Calendar notations have been added to ensure end-of-term files are sent to National Student Clearinghouse prior to posting of grades. In addition, the enrollment reporting program used to communicate information to NSLDS has been adjusted to report correct dates for the population identified in the audit. Lastly, the "Research and Update Student NSLDS Enrollment Info." policy has been revised to include steps for sampling students who withdraw, are less than

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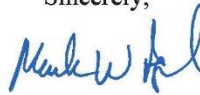
full time, or graduate, and to compare the data in PeopleSoft to the institutional program level in NSLDS.

Properly Complete Exit Counseling for Federal Direct Loan Borrowers

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

To avoid this compliance issue in the future, the Office of Financial Aid has updated the automated system which sends Exit Counseling material to correctly send Exit Counseling email to students who drop below half-time during the semester. In addition, the Exit Counseling procedures have been updated to include monthly steps to review and confirm that Exit Counseling emails were sent to the appropriate students.

Sincerely,



Mark W. Angel
Assistant Vice President for Finance

JAMES MADISON UNIVERSITY

As of June 30, 2021

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