



# JAMES MADISON UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

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 year ended June 30, 2015, and issued our report thereon, dated June 6, 2016. Our report, included in the University's basic financial statements, 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.jmu.edu](http://www.jmu.edu).

Our audit of James Madison University for the year ended June 30, 2015, 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 Circular A-133 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**

#### *Internal Control Weakness and Compliance Finding- Repeat Finding*

James Madison University (University) did not report 15 out of 39 (38 percent) graduating students timely to the National Student Loan Data System (NSLDS). The untimely reporting was a result of the date the Registrar's Office conferred degrees as compared to the transmission schedule established by the University.

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 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.

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 Registrar's office should work with the Information Technology Department to create a business process to ensure NSLDS receives notifications when students graduate.

### **Perform and Document Monthly Reconciliations of Direct Loans**

#### *Internal Control Weakness and Compliance Finding- Repeat Finding*

The University did not provide sufficient documentation showing reconciliation of their internal records to the Direct Loan Servicing System (DLSS) upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement System (COD). For the four reconciliations reviewed, all four (100 percent) contained loan mismatches. Two (50 percent) reconciliations were signed but contained no date and two (50 percent) reconciliations contained no signature or date, so the timeliness of the reconciliations was indeterminable.

In accordance with 34 CFR §685.300(b) and 34 CFR §685.102(b), Universities must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records to aid in this reconciliation process. The Student Financial Aid Handbook further details that the University should identify any discrepancies and take necessary corrective action to ensure they will not recur in the following month.

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 the monthly reconciliations and resolve reconciling items between the financial system and DLSS records in a timely manner to ensure compliance with federal regulations. In addition, the University should implement a review process to ensure complete documentation of reconciliation efforts and appropriate resolution of reconciling items.

### **Promptly Return Unclaimed Aid to Department of Education**

#### *Internal Control Weakness and Compliance Finding- Repeat Finding*

The University did not return unclaimed student financial aid funds for 22 out of 25 (88 percent) students tested to the U.S. Department of Education within the required 240 days. The Financial Aid Office did not appropriately prioritize the return of funds. The total amount of unclaimed aid not returned as of the date of fieldwork was \$16,775.50.

In accordance with 34 CFR §668.164(h)(ii), if the University attempts to disburse funds by check and the check is not cashed, the University must return the funds no later than 240 days after the date it issued the check. By not returning funds timely, the University 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 University to potential adverse actions and affect the University's participation in Title IV programs.

The University should complete a review of policies and procedures for identifying outstanding unclaimed federal aid checks and perform due diligence in contacting the federal aid recipient. In the event that the University is unable to contact the federal aid recipient and the check remains uncashed, the University should return the unclaimed funds 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

June 6, 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  
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 of **James Madison University** (the 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 June 6, 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 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. 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," "Perform and Document Monthly Reconciliation of Direct Loans," 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," "Perform and Document Monthly Reconciliations of Direct Loans," 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 June 6, 2016. 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 not taken adequate corrective action with respect to the previously reported findings “Improve Reporting to National Student Loan Data System,” “Improve Documentation of Monthly Reconciliations of Direct Loans,” and “Promptly Remit Unclaimed Financial Student Aid Funds.” Accordingly, we included these findings in the section entitled “Internal Control and Compliance Findings and Recommendations.” The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

### **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

LDJ/clj





June 6, 2016

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

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2015 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

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. Detailed responses and corrective action taken can be located within the Commonwealth of Virginia's Single Audit Report for the year ended June 30, 2015, published on APA's website: [http://www.apa.virginia.gov/APA\\_Reports/Reports.aspx](http://www.apa.virginia.gov/APA_Reports/Reports.aspx).

Sincerely,

John F. Knight  
AVP for Finance

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## **JAMES MADISON UNIVERSITY**

Harrisonburg, Virginia  
As of June 30, 2015

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