



REPORTS OF INDEPENDENT AUDITORS AND FINANCIAL  
STATEMENTS WITH FEDERAL AWARDS SUPPLEMENTARY  
INFORMATION

**UNIVERSITY OF SAINT KATHERINE**

December 31, 2019 and 2018

## Table of Contents

---

	PAGE
<b>Report of Independent Auditors</b>	1–2
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7–16
<b>Supplementary Information</b>	
Schedule of expenditures of federal awards	17
Notes to schedule of expenditures of federal awards	18–20
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	21–22
<b>Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance</b>	23–26
<b>Schedule of Findings and Questioned Costs</b>	27–41
<b>Summary Schedule of Prior Audit Findings</b>	42–48
<b>Corrective Action Plan</b>	49–57

## **Report of Independent Auditors**

To the Board of Directors  
University of Saint Katherine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of University of Saint Katherine, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Saint Katherine as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, on our consideration of the University of Saint Katherine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of University of Saint Katherine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of Saint Katherine's internal control over financial reporting and compliance.

*Moss Adams LLP*

San Diego, California  
February 24, 2021

**University of Saint Katherine**  
**Statements of Financial Position**

<b>ASSETS</b>		December 31,	
	2019	2018	
<b>CURRENT ASSETS</b>			
Cash	\$ 128,857	\$ 53,251	
Student accounts receivable, net (Note 3)	334,295	193,691	
Prepaid expenses and other assets	68,474	28,232	
Total current assets	531,626	275,174	
PLEDGE RECEIVABLE, net (Note 2)	691,510	729,543	
STUDENT NOTES RECEIVABLE, net (Note 3)	321,763	589,310	
PROPERTY, PLANT, AND EQUIPMENT, net (Note 4)	108,001	98,581	
SECURITY DEPOSITS	5,700	5,700	
Total assets	\$ 1,658,600	\$ 1,698,308	
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 203,002	\$ 202,263	
Unearned tuition	280,488	59,857	
Related-party debt, current portion (Note 7)	70,000	152,922	
Total current liabilities	553,490	415,042	
LINE OF CREDIT WITH BANK (Note 7)	249,892	250,000	
NOTE PAYABLE (Note 7)	-	75,000	
Total liabilities	803,382	740,042	
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>			
<b>NET ASSETS (Note 9)</b>			
Net assets without donor restrictions	855,218	958,266	
Net assets with donor restrictions	-	-	
Total net assets	855,218	958,266	
Total liabilities and net assets	\$ 1,658,600	\$ 1,698,308	

# University of Saint Katherine

## Statements of Activities

	Years Ended December 31,					
	2019			2018		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
<b>REVENUE</b>						
Student tuition and fees, net (Note 5)	\$ 3,279,050	\$ -	\$ 3,279,050	\$ 2,686,882	\$ -	\$ 2,686,882
Housing	-	-	-	139,115	-	139,115
Income from athletics	16,054	-	16,054	3,246	-	3,246
Other income (expense), net	38,121	-	38,121	18,891	-	18,891
Net revenue	3,333,225	-	3,333,225	2,848,134	-	2,848,134
<b>SUPPORT</b>						
Contributions	238,075	110,340	348,415	506,199	100,167	606,366
Fundraising events	34,850	-	34,850	34,192	-	34,192
Direct event costs	(2,915)	-	(2,915)	(9,944)	-	(9,944)
Net assets released from restriction	110,340	(110,340)	-	100,167	(100,167)	-
Net support	380,350	-	380,350	630,614	-	630,614
Total revenue and support, net	3,713,575	-	3,713,575	3,478,748	-	3,478,748
<b>EXPENSES</b>						
Athletics and student affairs	1,631,198	-	1,631,198	1,430,994	-	1,430,994
Faculty and instruction	1,004,262	-	1,004,262	698,107	-	698,107
Student housing	-	-	-	205,218	-	205,218
Administration	1,164,132	-	1,164,132	1,076,218	-	1,076,218
Fundraising	17,031	-	17,031	38,172	-	38,172
Total operating expenses	3,816,623	-	3,816,623	3,448,709	-	3,448,709
CHANGE IN NET ASSETS	(103,048)	-	(103,048)	30,039	-	30,039
<b>NET ASSETS</b>						
Beginning of year	958,266	-	958,266	928,227	-	928,227
End of year	\$ 855,218	\$ -	\$ 855,218	\$ 958,266	\$ -	\$ 958,266

## University of Saint Katherine Statements of Functional Expenses

Year Ended December 31, 2019

	Athletics and Student Affairs	Faculty and Instruction	Student Housing	Administration	Fundraising	Total
SALARIES	\$ 991,543	\$ 765,771	\$ -	\$ 563,675	\$ 4,800	\$ 2,325,789
RENT AND FACILITIES	65,755	69,216	-	62,173	8,652	205,796
PAYROLL TAXES	88,751	71,759	-	34,467	665	195,642
PROFESSIONAL SERVICES	117	52,217	-	155,713	-	208,047
TRAVEL	159,562	750	-	2,615	-	162,927
ADVERTISING	4,544	-	-	55,866	-	60,410
EVENTS	9,114	495	-	18,586	-	28,195
ATHLETIC DEPARTMENT EXPENSES	261,546	-	-	14,297	-	275,843
BAD DEBT EXPENSE	-	-	-	8,606	-	8,606
MAINTENANCE AND REPAIRS	1,102	-	-	5,945	-	7,047
INFORMATION TECHNOLOGY	3,967	15,201	-	27,368	-	46,536
DEPRECIATION	-	-	-	34,744	-	34,744
INSURANCE	9,622	-	-	23,268	-	32,890
UTILITIES	-	-	-	38,435	-	38,435
OFFICE AND CLASSROOM SUPPLIES	5,209	3,319	-	16,471	-	24,999
OTHER EXPENSES	3,101	22,576	-	58,310	2,914	86,901
LOSS ON DISPOSALS	-	-	-	-	-	-
DUES AND SUBSCRIPTIONS	27,199	2,958	-	22,431	-	52,588
POSTAGE	66	-	-	3,086	-	3,152
INTEREST EXPENSE	-	-	-	18,076	-	18,076
<b>Total expenses</b>	<b>\$ 1,631,198</b>	<b>\$ 1,004,262</b>	<b>\$ -</b>	<b>\$ 1,164,132</b>	<b>\$ 17,031</b>	<b>\$ 3,816,623</b>

Year Ended December 31, 2018

	Athletics and Student Affairs	Faculty and Instruction	Student Housing	Administration	Fundraising	Total
SALARIES	\$ 724,609	\$ 546,350	\$ -	\$ 379,300	\$ 14,563	\$ 1,664,822
RENT AND FACILITIES	74,921	76,240	187,097	32,149	10,656	381,063
PAYROLL TAXES	63,737	53,680	-	29,712	1,509	148,638
PROFESSIONAL SERVICES	14,493	17,706	115	110,661	-	142,975
TRAVEL	196,120	450	-	17,669	-	214,239
ADVERTISING	8,093	-	-	65,338	9,814	83,245
EVENTS	9,083	-	-	1,405	-	10,488
ATHLETIC DEPARTMENT EXPENSES	292,411	-	-	73,273	-	365,684
BAD DEBT EXPENSE	-	-	-	149,062	-	149,062
MAINTENANCE AND REPAIRS	331	-	1,214	9,647	-	11,192
INFORMATION TECHNOLOGY	2,202	338	-	29,484	-	32,024
DEPRECIATION	-	-	-	36,688	-	36,688
INSURANCE	14,650	-	-	11,275	-	25,925
UTILITIES	-	-	16,792	37,176	-	53,968
OFFICE AND CLASSROOM SUPPLIES	4,972	2,855	-	17,195	-	25,022
OTHER EXPENSES, net	2,917	239	-	(11,246)	195	(7,895)
LOSS ON DISPOSALS	19,836	-	-	-	-	19,836
DUES AND SUBSCRIPTIONS	2,609	249	-	58,407	1,435	62,700
POSTAGE	10	-	-	3,394	-	3,404
INTEREST EXPENSE	-	-	-	25,629	-	25,629
<b>Total expenses</b>	<b>\$ 1,430,994</b>	<b>\$ 698,107</b>	<b>\$ 205,218</b>	<b>\$ 1,076,218</b>	<b>\$ 38,172</b>	<b>\$ 3,448,709</b>

## University of Saint Katherine

### Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (103,048)	\$ 30,039
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Bad debt expense	8,606	149,062
Depreciation expense	34,744	36,688
Loss on disposal	-	19,836
Forgiveness of debt	(75,000)	-
Changes in operating assets and liabilities		
Pledge receivable	38,033	82,457
Student accounts and loans receivable	118,337	(302,539)
Prepaid expenses and other assets	(40,242)	56,733
Security deposits	-	14,070
Accounts payable and accrued expenses	739	(103,469)
Unearned tuition	220,631	19,633
Net cash provided by operating activities	<u>202,800</u>	<u>2,510</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(44,164)</u>	<u>(23,035)</u>
Net cash used in investing activities	<u>(44,164)</u>	<u>(23,035)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	75,000
Repayment on line of credit	(108)	-
Proceeds from related-party debt	70,000	135,000
Payments on related-party debt	<u>(152,922)</u>	<u>(157,440)</u>
Net cash (used in) provided by financing activities	<u>(83,030)</u>	<u>52,560</u>
<b>NET INCREASE IN CASH</b>	75,606	32,035
<b>CASH</b>		
Beginning of year	<u>53,251</u>	<u>21,216</u>
End of year	<u>\$ 128,857</u>	<u>\$ 53,251</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES</b>		
Interest paid	<u>\$ 18,076</u>	<u>\$ 25,629</u>

## University of Saint Katherine Notes to Financial Statements

---

### **Note 1 – Organization and Summary of Significant Accounting Policies**

**Organization** – Founded in 2010, the University of Saint Katherine (the “University”) (a California public benefit corporation) is an independent liberal arts university formed in the Orthodox Christian tradition.

The University is accredited through the Western Association of Schools and Colleges (“WASC”) Senior College and University Commission. The University is approved and licensed by the California Bureau for Private Postsecondary Education to award Bachelor of Arts and Bachelor of Science degrees. The University derives its revenues principally from student tuition as well as private donations. The University participates in Title IV Financial Student Aid Programs, VA Educational Benefit Programs, and California State Aid Programs (Cal Grant eligibility approved in February of 2019). Additional revenue is generated by the University through student fees, including student life and technology fees, administrative-type fees, and finance charges on long-term balances as well as fundraising events. The University generated additional revenue through student residential housing fees through the spring of 2018. The University ceased offering student housing in June of 2018.

**Management’s plan** – As of December 31, 2019, and for the year the ended, the University had negative working capital of approximately \$21,000 and a decrease in net assets of approximately \$103,000. During 2019, the University saw continued enrollment growth, resulting in a significant increase in revenue from student tuition and fees. Enrollment in terms of headcount reached 232 students in the fall of 2019, an increase of over 16% from the previous fall. In 2020, management added a graduate-level program, which will also add to student enrollment; three new graduate degree programs are planned for 2021. The University continues to search for property in North San Diego County for its primary campus. In addition, the University holds a cost-free construction option on 10 acres of land in Chula Vista for a secondary campus.

**Income taxes** – The University qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for federal or California income taxes is included in the accompanying financial statements. Management believes that it has not taken any significant uncertain tax positions and does not have any tax obligations at December 31, 2019 and 2018.

**Basis of presentation** – The financial statements of the University have been prepared on the accrual basis of accounting.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Concentrations of credit risk** – The University holds cash deposits at financial institutions that, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. The University has not experienced any losses in such accounts.

# University of Saint Katherine

## Notes to Financial Statements

---

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

**Pledge receivable** – Unconditional promises-to-give expected to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. In future years, the discounts to present value are computed using risk-free rates established in the year in which those promises are received. Amortization of the discounts is included in contributions.

**Student accounts receivable and notes receivable** – Student accounts receivable are for tuition and other student fees. Students who have exhausted all federal and state financial aid programs and are unable to obtain private loans are allowed by the University to pay their fees over a period extending beyond one year. Such amounts represent institutional loans and are presented as notes receivable in the accompanying statements of financial position. The loans are unsecured and generally payable over 10 years. Student accounts receivable and notes receivable are recorded net of an allowance for doubtful accounts. The allowance is based on historical experience and management’s evaluation of receivables at year end.

**Property and equipment** – Property and equipment in excess of \$500 is recorded at cost and is generally depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Expenditures for repairs and maintenance are expensed when incurred. The estimated useful lives are as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	7 years

The University reviews property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset’s carrying value over the fair value of the asset. There was no impairment of property and equipment during the year ended December 31, 2019. In 2018, there were impairment losses of \$19,836 due to the disposal of furniture in student housing when the student apartments were closed.

**Net assets categories** – All transactions have been reported by net asset classification according to the presence or absence of donor-imposed stipulations. The financial statements report amounts by classification of net assets as follows:

*Net assets without donor restrictions* – Net assets that are currently available at the discretion of the Board of Trustees for use in the University’s operations and those resources invested in property and equipment.

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

*Net assets with donor restrictions* – Net assets subject to donor imposed stipulations that will be met by actions of the University and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature). The income from these assets is available for either general operations or specific programs as specified by the donor. The University has no net assets with donor restrictions as of December 31, 2019 and 2018.

**Tuition and fees** – Student tuition and fees are recorded as revenue using the proportional performance method of revenue recognition in the year during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue and are presented as unearned tuition in the statements of financial position. Collectability of student accounts is reviewed both individually and in the aggregate.

**Housing and income from athletics** – Housing and income from athletics is recognized in the year the housing was provided or the athletic event occurred. Amounts received in advance are reported as deferred revenue. The deferred revenue for housing and income from athletics was not material as of December 31, 2019 and 2018. The University ceased offering student housing in June of 2018.

**Contributions** – Contributions are recognized as revenues when received or unconditionally pledged. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Donated services** – The University receives a moderate amount of services donated by volunteers and others interested in the University's mission each year. These contributions of service are not recognized in the financial statements unless the services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended December 31, 2019 and 2018, did not meet the aforementioned requirements, and, as such, no amounts were recognized in the financial statements for volunteer time.

**Advertising** – The University expenses advertising costs as incurred. Advertising expense was \$60,410 and \$83,245 during the years ended December 31, 2019 and 2018, respectively.

**Functional allocation of expenses** – The University allocates its expenses on a functional basis among its various programs, activities, and supporting services. Expenditures which can be identified with a specific support service are recorded directly, according to their natural expenditure classification. Costs that are common to more than one function are allocated among the function and supporting services on the basis of payroll and related records, space utilized, and estimates made by management.

# University of Saint Katherine

## Notes to Financial Statements

---

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

**Recently adopted accounting standards** – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued to provide clarification to not-for-profit entities as they adopt ASU 2014-09, specifically as it relates to grants and contracts and distinguishing between reciprocal (exchange) transactions and nonreciprocal (contributions) transactions. The University adopted the ASU effective January 1, 2019, on a modified prospective basis. No impact on the change in net assets resulted from the adoption of the ASU.

**Recently issued accounting standards** – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries. The guidance is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact this will have on the University's future financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact this will have on the University's future financial statements.

**Reclassifications** – Certain amounts were reclassified in the 2018 financial statements to conform to the 2019 presentation. Such reclassification had no impact on previously reported change in net assets or total net assets.

### Note 2 – Pledges Receivable

In 2017, the University received a pledge of \$812,000 from the president of the University to support 2017 operating expenses, which was expected to be paid in 2018. The donor has extended the payment time period of the pledge to 2023; as such, the pledge was discounted to its net present value. The pledge receivable is recorded net with a present value discount of \$120,490 and \$82,457 as of December 31, 2019 and 2018, respectively, which reflects a discount rate of 5.5 percent.

In November 2018, the University was notified that it is named as a beneficiary in a trust. The trust was established as a revocable split interest agreement. Upon the death of one of the trustees, the surviving spouse retains ability to control the distribution of income and principal from the trust. The University does not have an unconditional right to receive benefit as of December 31, 2019, and, accordingly, has not recorded this beneficial interest in its financial statements.

**University of Saint Katherine**  
**Notes to Financial Statements**

---

**Note 3 – Student Receivables**

Accounts receivable represents amounts due from enrolled students for the current year.

Notes receivable represent institutional loans due from both current and former students. The following is a summary of student accounts and notes receivable as of December 31:

	<u>2019</u>	<u>2018</u>
Student accounts receivable	<u>\$ 334,295</u>	<u>\$ 193,691</u>
Student notes receivable	<u>\$ 430,853</u>	<u>\$ 796,538</u>
Less: allowance for doubtful accounts		
Beginning of the year	(207,228)	(138,594)
Change in estimate for provisions and recoveries on loans previously charged off	<u>98,138</u>	<u>(68,634)</u>
End of the year	<u>(109,090)</u>	<u>(207,228)</u>
Student notes receivable, net	<u>\$ 321,763</u>	<u>\$ 589,310</u>

**Note 4 – Property and Equipment**

Property and equipment consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 186,379	\$ 178,178
Furniture and fixtures	63,384	46,977
Computer equipment	<u>58,450</u>	<u>38,894</u>
	308,213	264,049
Less: accumulated depreciation	<u>(200,212)</u>	<u>(165,468)</u>
Property and equipment, net	<u>\$ 108,001</u>	<u>\$ 98,581</u>

# University of Saint Katherine

## Notes to Financial Statements

---

### Note 5 – Student Tuition and Fees

Student tuition and fees consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Student tuition and fees	\$ 5,319,039	\$ 4,145,002
Less: support and discounts	<u>(2,039,989)</u>	<u>(1,458,120)</u>
Student tuition and fees, net	<u>\$ 3,279,050</u>	<u>\$ 2,686,882</u>

### Note 6 – Related-Party Transactions and Concentrations

Members of the University's Board of Trustees (the "Board") and senior management may, at times, be associated, either directly or indirectly, with companies doing business with the University. For senior management, the University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict of interest, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University and in accordance with applicable conflict of interest laws. No such current associations are considered to be significant conflicts (see Note 7 and 8).

The majority of the University's contributions are derived from related parties, including the president and members of its Board of Trustees. The president did not make any contributions in 2018 or 2019. One board member contributed 32 and 83 percent of the total donations received in 2019 and 2018, respectively.

Certain employees of the University have corporate credit cards for University-related expenditures. These credit cards are guaranteed by a member of the executive management team at the University.

### Note 7 – Debt

The University has access to a \$3,000,000 unsecured line of credit from its president. The line of credit is available for ten years interest free. In 2018, the University drew a total of \$135,000 from this line of credit and made \$25,000 in payments during 2018. In 2019, the University drew a total of \$70,000 from this line of credit and made \$110,000 in payments during 2019. The outstanding balance on the line of credit as of December 31, 2019 and 2018, was \$70,000 and \$110,000, respectively. The \$70,000 outstanding as of December 31, 2019, was repaid in January 2020.

## University of Saint Katherine Notes to Financial Statements

---

### Note 7 – Debt (continued)

The University has a \$250,000 line of credit with a bank that has a maturity date of March 2023. The line of credit is guaranteed by two members of the Board. The balance on the line of credit was \$249,892 and \$250,000 as of December 31, 2019 and 2018, respectively. The \$249,892 outstanding as of December 31, 2019, was repaid in September 2020.

In May 2017, the University entered into a \$250,000 unsecured note payable with a board member, which matured in June 2019. Interest accrued annually at 2.25 percent, with payments due monthly at \$10,663. The balance on the loan as of December 31, 2019 and 2018, was \$0 and \$42,922, respectively.

In 2018, the University entered into a \$75,000 unsecured non-interest bearing note payable with an unrelated third party, which matures in July 2023. On December 2, 2019, this loan was forgiven. As such, the balance on the loan as of December 31, 2019 and 2018, was \$0 and \$75,000, respectively. The loan forgiveness is included in contributions on the statement of activities for the year ended December 31, 2019. See also Note 11.

### Note 8 – Commitments and Contingencies

**Lease commitments** – The University leases its administrative offices and instructional facilities from various parties. The University closed all student housing leases prior to June 30, 2018. Lease expense during the years ending December 31, 2019 and 2018, was \$173,040 and \$349,077, respectively.

In 2016, the building that holds the University’s administrative offices and instructional facilities was purchased by a board member. The University entered into a lease with the board member that requires the University to pay monthly rent of \$9,195 through expiration in 2025. Total lease expense related to this lease during both the years ended December 31, 2019 and 2018, was \$110,340. The board member provided twelve months of free rent in 2019, which was recorded as an in-kind contribution of \$110,340. In 2018, the board member provided five months of free rent, which was recorded as an in-kind contribution of \$45,975.

The University’s lease commitments pursuant to these lease agreements are as follows:

Years ending December 31,	
2020	\$ 110,340
2021	110,340
2022	110,340
2023	110,340
2024	110,340
Thereafter	<u>45,975</u>
Total	<u><u>\$ 597,675</u></u>

# University of Saint Katherine

## Notes to Financial Statements

---

### Note 8 – Commitments and Contingencies (continued)

**Legal** – The University is party to certain legal actions arising in the ordinary course of business. In the opinion of management, liabilities, if any, under these actions will not have a material impact on its financial position.

### Note 9 – Net Assets with Donor Restrictions

At December 31, 2019 and 2018, there were no net assets with donor restrictions. All donations with restrictions were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31, 2019 and 2018.

### Note 10 – Liquidity and Availability

The following table reflects the University's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date:

	<u>2019</u>	<u>2018</u>
Cash	\$ 128,857	\$ 53,251
Pledge receivable	691,510	729,543
Student accounts receivable, net	334,295	193,691
Student notes receivable, net	<u>321,763</u>	<u>589,310</u>
 Total financial assets	 1,476,425	 1,565,795
 Less:		
Receivables scheduled to be collected in more than one year		
Pledge receivable, net	(691,510)	(729,543)
Student notes receivable, net	<u>(321,763)</u>	<u>(589,310)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 463,152</u>	 <u>\$ 246,942</u>

The University has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate. Cash is held in interest bearing bank accounts. The University structures its financial assets to be available as general expenditures, which includes liabilities and other obligations, become due.

**Note 11 – Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The University recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The University's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the University's operations.

The University transitioned its students to online learning and almost all of its employees to remote work in mid-March of 2020. The State of California and San Diego County Public Health officials have released guidance for bringing employees and students back to in-person instruction, which the University has implemented.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. Among other things, the CARES Act allocated \$14 billion to higher education through the creation of the Education Stabilization Fund. Fifty percent of the emergency funds received by institutions must go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to COVID-19. Institutions may use remaining emergency funds not given to students on costs associated with significant changes to the delivery of instruction due to COVID-19. The University received a total of \$246,937 in emergency funds with \$123,469 earmarked to go directly to students and \$123,468 for institutional support.

On May 5, 2020, the University obtained a Paycheck Protection Program loan, through the United States Small Business Administration under the CARES Act for \$478,700. The loan is forgivable to the extent it is used for certain allowable costs during the 24 weeks after funding. Allowable costs include payroll-related costs, interest on covered debt, and payments for covered utilities. To the extent it is not forgiven, the loan bears interest at 1 percent and has a maturity date of May 5, 2022. No payments are due on the loan for 10 months after the end of the borrower's loan forgiveness covered period; however, interest accrues during the deferment period. Payments of principal and interest are due monthly thereafter.

Administration has been closely monitoring the impact of COVID-19 on the University's operations, including the impact on its students and employees. The duration and intensity of the pandemic are uncertain but may influence student enrollment decisions, donor decisions, and may also negatively impact collections of University receivables.

## **University of Saint Katherine**

### **Notes to Financial Statements**

---

#### **Note 11 – Subsequent Events (continued)**

In July 2020, the University entered into a \$100,000 term loan with a bank that has a maturity date of July 2023. The loan accrues interest based on the prime rate and is due in monthly payments of \$2,955.

The University has evaluated subsequent events through February 24, 2021, which is the date of this financial statement draft.

## **Supplementary Information**

---

**University of Saint Katherine**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2019**

---

Federal Grantor/Pass-Through Entity Program Title or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ -	\$ 556,323
Federal Direct Student Loans	84.268		-	<u>2,196,993</u>
Total U.S. Department of Education and Student Financial Assistance Cluster			-	<u>2,753,316</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 2,753,316</u>

**University of Saint Katherine**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2019**

---

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of University of Saint Katherine (the “University”) for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the University.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Rate**

The University has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

**University of Saint Katherine**  
**Supplementary Information**  
**Notes to Schedule of Expenditures of Federal Awards**

---

**Note 4 – Financial Responsibility Ratios**

<u>Primary Reserve Ratio Calculation</u>	<u>Reference</u>	<u>Amounts (In Thousands) and Ratio</u>	<u>Strength</u>	<u>Weight</u>	<u>CFI</u>
Net assets with donor restrictions	SOFP	\$ -			
Net assets without donor restrictions	SOFP	<u>855,218</u>			
Total net assets		855,218			
Less:					
Unsecured related-party receivables	SOFP, Note 2	(691,510)			
Property, plant, and equipment (PPE)	SOFP	(108,001)			
Add:					
All long-term debt and operating lease liabilities (not to exceed total PPE)	SOFP	<u>70,000</u>			
Total expendable net assets		\$ 125,707			
Total operating expenses	SOA	<u>3,816,623</u>			
Total expenses without donor restrictions and losses without donor restrictions		<u>\$ 3,816,623</u>			
Primary reserve ratio			0.03	0.33	40% 0.13
<b>Equity Ratio Calculation</b>					
Net assets with donor restrictions	SOFP	\$ -			
Net assets without donor restrictions	SOFP	<u>855,218</u>			
Total net assets		855,218			
Less:					
Unsecured related-party receivables	SOFP, Note 2	<u>(691,510)</u>			
Modified net assets		\$ 163,708			
Total assets	SOFP	1,658,600			
Less:					
Unsecured related-party receivables	SOFP, Note 2	<u>(691,510)</u>			
Modified assets		<u>\$ 967,090</u>			
Equity ratio			0.17	1.02	40% 0.41
<b>Net Income Ratio Calculation</b>					
Change in net assets without donor restrictions	SOA	\$ (103,048)			
Total operating revenues, gains, and other support without donor restrictions	SOA	\$ 3,713,575			
Total non-operating revenues, gains, and other support without donor restrictions		<u>\$ 3,713,575</u>			
Net income ratio			-0.03	0.31	20% 0.06
Composite score					0.60

The Schedule of Financial Responsibility Ratios shows the calculation of the composite score as of and for the year ended December 31, 2019, for the University, including a reference for each financial element to either the statement of financial position (SOFP), statement of activities (SOA), or notes to the financial statements, as applicable.

**University of Saint Katherine**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2019**

---

**Note 4 – Financial Responsibility Ratios (continued)**

Section 498(c)(1) of the Higher Education Act authorizes the secretary for the Department of Education (“Department”) to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios—primary reserve, equity, and net income—that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution's ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the Department of 10 percent or more of its previous year's Title IV funding, as determined by the Department.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
University of Saint Katherine

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 University of Saint Katherine, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2021.

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

In planning and performing our audit of the financial statements, we considered University of Saint Katherine'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 University of Saint Katherine's internal control. Accordingly, we do not express an opinion on the effectiveness of University of Saint Katherine'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003, that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether University of Saint Katherine's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **University of Saint Katherine's Response to Findings**

University of Saint Katherine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. University of Saint Katherine'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.

*Moss Adams LLP*

San Diego, California  
February 24, 2021

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
University of Saint Katherine

### **Report on Compliance for the Major Federal Program**

We have audited University of Saint Katherine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on University of Saint Katherine's major federal program for the year ended December 31, 2019. University of Saint Katherine's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for University of Saint Katherine's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University of Saint Katherine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of University of Saint Katherine's compliance.

***Basis for Qualified Opinion on Student Financial Aid Cluster***

As described in the accompanying schedule of finding and questioned costs, University of Saint Katherine did not comply with the requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-004	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Return of Title IV
2019-005	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Enrollment Reporting

Compliance with such requirements is necessary, in our opinion, for University of Saint Katherine to comply with the requirements applicable to that program.

***Qualified Opinion on Student Financial Assistance Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, University of Saint Katherine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Student Financial Assistance Cluster for the year ended December 31, 2019.

***Other Matters***

University of Saint Katherine’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University of Saint Katherine’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of University of Saint Katherine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered University of Saint Katherine’s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of University of Saint Katherine’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, to be material weaknesses:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-004	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Return of Title IV
2019-005	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Enrollment Reporting

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-006	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Reconciliations
2019-007	84.063 & 84.268	Student Financial Assistance Cluster	Eligibility
2019-008	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Disbursements
2019-009	84.063 & 84.268	Student Financial Assistance Cluster	Eligibility
2019-010	84.063 & 84.268	Student Financial Assistance Cluster	Special Tests – Disbursements

University of Saint Katherine's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University of Saint Katherine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the University of Saint Katherine as of and for the year ended December 31, 2019, and have issued our report thereon dated February 24, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Moss Adams LLP*

San Diego, California  
March 24, 2021

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2019**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over the major federal program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of the major federal program and type of auditor’s report issued on compliance for the major federal program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Program</i>
84.063 84.268	Student Financial Assistance Cluster	Qualified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***Finding 2019-001: Segregation of Duties; Material Weakness***

**Criteria** – A strong system of internal controls includes adequate segregation of duties. Segregation of duties include methods and procedures that require the separation of responsibilities related to the custody of assets from accounting personnel, authorization of transactions from custody of assets, and operational responsibilities from record-keeping responsibilities.

**Condition** – Many of the procedures currently in place for processing and posting transactions into QuickBooks are performed solely by the Chief Financial Officer (CFO). The CFO has check signing authority, online access to the bank account, and the ability to record transactions into the general ledger. The CFO is responsible for approving new vendors.

**Cause** – The University has a very limited number of employees and has been unable to allocate incompatible duties.

**Effect** – Errors (intentional and unintentional) could go undetected.

**Repeat finding** – This is a repeat finding. See Finding 2018-001.

**Recommendation** – We suggest that management and the Board of Trustees discuss and implement policies and procedures to allow for segregation of these duties.

The following are examples of segregation of duties that could be implemented by University of Saint Katherine (the “University”):

- Bank reconciliation should be prepared by someone other than the CFO and then subsequently reviewed by the CFO.
- Remove the CFO from having access to QuickBooks or allocate conflicting duties to others.
- The CFO should be reviewing the bank deposits for accuracy.
- Review of the adjusting entries should be performed by someone other than the CFO or the individual preparing the journal entry, which is then initialed and dated by the reviewer.
- New vendors should be approved by someone who does not prepare the bank reconciliations and have check signing authority.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-001: Segregation of Duties; Material Weakness (continued)***

**Management's response** – Management addressed several of these issues in 2018, after the prior audit was completed, and also in 2019:

- The CFO reviews deposits for accuracy after they are prepared by the Financial Aid Officer (office deposits). Verification of deposits is also completed by the Accounts Manager (new position) prior to ACH deposit (student aid funds).
- New vendors are now approved by someone who does not have check signing authorization or processes payments or performs reconciliations.

In 2019, additional accounting staff were put in place to process accounting transactions in the accounting system. In 2020, an additional staff accountant was hired to complete bank reconciliations. In addition, an accounting consultant firm was hired in July of 2020 to address segregation of duties and internal control issues. This new hire will also correct the issue with adjusting journal entries review.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, Financial Aid Solutions ("FAS"), and Finance to more effectively manage the entire Financial Aid process.

***Finding 2019-002: Accounting Policies and Procedures; Material Weakness***

**Criteria** – All accounts should be reconciled on a monthly basis. The reconciliation should be reviewed and approved by a person with adequate accounting knowledge.

Financial statements should be reviewed to ensure they capture all liabilities required to be recorded under generally accepted accounting principles in the United States (GAAP).

**Condition** – The University did not record all necessary year-end closing adjustments, and in some cases recorded erroneous entries. The University does not have a proper process in place to reconcile student activity from its student database to its accounting software in a timely manner.

The University did not properly reconcile its cash accounts to the general ledger and did not evaluate the allowance for doubtful accounts throughout the year.

**Cause** – The University does not have adequate staffing to perform accounting reconciliations and necessary analysis on a monthly basis.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-002: Accounting Policies and Procedures; Material Weakness (continued)***

**Effect** – Financial statements could include intentional and/or unintentional errors.

**Repeat finding** – This is a repeat finding. See Finding 2018-002.

**Recommendation** – We suggest that management implement policies and procedures to reconcile all accounts on a monthly basis, including reconciling the student activity from student database to the accounting software, and timely reconciling of all bank accounts. The reconciliations should include support from each system and include the date the reconciliation was performed and reviewed and the initials or signature of the person reconciling the account and the person reviewing the reconciliation. Payroll transactions should be recorded each month and reviewed to ensure allocations to the appropriate general ledger accounts. The University should consider using month-end checklists to ensure all accounts are reconciled and all adjustments are made when preparing monthly financial statements. The month-end process should also include an analysis of the allowance accounts.

**Management's response** – The Financial Aid Officer (“FAO”) and CFO discuss allowance for uncollectible accounts at least once a week. The university has aggressively written off debt where the payor has been inactive for over a year. New policies in place ensure that there are less uncollectible accounts by improving the percentage of students who pay in full up front. The issue is lack of documentation.

The University has increased its support staff significantly in the fall of 2019 to include monthly reconciliations of all bank and credit card accounts. A month-end checklist has been created to assist with monthly closing and compliance checks. A financial aid procedures manual has been created and an accounting procedures manual is in process.

In July of 2020, the University hired an accounting consulting firm to review the 2019 Trial Balance and Schedules. Revised Trial Balance and Schedules were sent to auditors. In addition, in 2020, AP and AR consulting staff were added to provide adequate accounting knowledge for positions and to create separation of accounting duties.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

***Finding 2019-003 – Supporting Documentation; Material Weakness***

**Criteria** – All transactions included in the general ledger should be supported by appropriate documentation. Appropriate documentation examples include copies of checks received, approved invoices for disbursements, donor agreements, and timecards.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-003 – Supporting Documentation; Material Weakness (continued)***

**Condition** – Certain disbursements were not supported by vendor invoices/receipts and some transactions did not have adequate documentation to support the approval of the expense by the appropriate individual. In addition, the terms and any restrictions for contributions received were not supported by documented evidence. The University received a loan but did not have an underlying executed agreement for the terms of the loan.

**Cause** – The University does not have adequate staffing to ensure an adequate level of review of appropriate transactions.

**Effect** – The University could pay inappropriate expenses or incorrectly record contributions and financial statements could include errors. The University exposes itself to the risk that fraud is not prevented or detected in a timely manner.

**Repeat finding** – This is a repeat finding. See finding 2018-003.

**Recommendation** – We recommend management review the current procedures in place to ensure contributions and expenses are not processed without adequate documentation and support. The University should formalize all agreements. In addition, we recommend management consider an appropriate threshold for documentation for expense reimbursements and develop an expense reimbursement policy.

**Management's response** – With increased enrollment, management has been able to hire support staff to help ensure proper documentation. In 2019, an accountant was hired to perform monthly account reconciliations. In 2020, a professional accounting firm was hired to assist with accounting procedure, document collection, and documentation filing.

Contracts exist for coaching staff. A few had not been updated for current semester. Since 2020, agreements now cover an entire school year versus semester and are managed by an HR consulting firm.

In 2020, to address the availability of documentation, the threshold for credit card expense reimbursement has been reduced to zero. (All reimbursements now require receipts.)

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS and Finance to more effectively manage the entire Financial Aid process.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

***Finding 2019-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$13,736

**Criteria** – 34 CFR Section 668.22(e)(2): *Percentage earned*. The percentage of Title IV grant or loan assistance that has been earned by the student is—

- (i) Equal to the percentage of the payment period or period of enrollment that the student completed (as determined in accordance with paragraph (f) of this section) as of the student's withdrawal date, if this date occurs on or before—
  - (A) Completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours; or
  - (B) 60 percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours; or
- (ii) 100 percent, if the student's withdrawal date occurs after—
  - (A) Completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours; or
  - (B) 60 percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

34 CFR Section 668.22(b): *Withdrawal date* for a student who withdraws from an institution that is required to take attendance. (1) For purposes of this section, for a student who ceases attendance at an institution that is required to take attendance, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records.

34 CFR Section 668.22(j): *Timeframe for the return of Title IV funds*. (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section.

**Condition/context** – We selected eight out of a total forty students who withdrew during the year and the student records were compared to the calculation of the return of Title IV funds, if any, and the federal government's Common Origination and Disbursement system. Six of the eight students fully earned the aid disbursed to them. The remaining two students did not fully earn their awards and the University was required to calculate and return the amount unearned.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)***

For each of the two students for whom the University was required to calculate the amount of unearned Title IV funds, the University used the incorrect last date of attendance in their calculations. Accordingly, an incorrect amount of unearned Title IV funds was calculated and returned in each instance. For one of the two students, no Title IV funds were returned when funds should have been returned.

The University does not have an internal control in place to review the return of Title IV calculation or ensure students who withdraw are captured in the process.

**Effect** – When Title IV funds are not returned in a timely manner, it may result in the overpayment of loaned funds and students retaining funds they did not earn. When the return of Title IV funds is not correctly calculated, the student ultimately receives the incorrect amount of funding.

**Cause** – The University does not have adequate staffing to implement adequate separation of duties and other controls to ensure accurate and timely processing of the return of Title IV funds.

**Repeat finding** – This is a repeat finding. See 2018-004.

**Questioned costs** – Known questioned costs were \$1,883. We projected the error rate over the entire universe of students who received federal aid, and using this method, we determined likely questioned costs to be approximately \$11,853.

**Recommendation** – We recommend the University assign oversight and review responsibilities to individuals knowledgeable of the Title IV return process. Having a supervisory review of the calculation helps ensure accurate and timely processing.

**Management response** – In 2020, the University changed third-party service providers for assistance with financial aid processing. The new service provides greater assistance on a day-to-day basis, including calculation of unearned financial aid funds. In addition, the University hired an outside accounting consulting firm to assist in creating policy and to provide review of student accounts for Title IV compliance. Also, student advisors are assigned to every student and receive alerts when students are failing classes. All have been made aware that when a student does not officially withdraw, last day of attendance must be used as a withdrawal date (issue in both findings).

***Finding 2019-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)***

**Criteria** – 34 CFR Section 685.309(b)(2)(i): An institution is required to notify the Department of Education within 30 to 60 days (depending on the situation) if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis.

**Condition/context** – We selected 12 students for testing from the population of 59 students with status changes. The enrollment information and withdrawal or graduation date per the University’s records was compared to the information reported to the National Student Loan Data System (“NSLDS”) in order to determine if status changes were reported within the required timeframes and accurately.

An exception was noted with seven of the 12 students that were selected for testing. Three students were not reported within the required timeframe. Additionally, an incorrect change of status date was reported for five of the students.

**Effect** – The NSLDS database does not contain accurate information. This information is utilized by Department of Education, the Direct Loan program, lenders, and other institutions to determine in-school status, deferment, and grace periods of student loans. Incorrect information could result in incorrect deferment, grace periods, billing, and repayment of student loans.

**Cause** – Controls have not been implemented to identify changes in student status and to ensure timely tracking and reporting of accurate withdrawn, dropped, and graduated students to the NSLDS system.

**Repeat finding** – This is a repeat finding. See 2018-005.

**Recommendation** – We recommend that the University implement an internal control to ensure changes in status are identified and the status changes are accurately reported within the required timeframe.

**Management response** – In 2020, the responsibility for enrollment reporting and verification has been re-assigned to the financial aid office. The financial aid office is in a better position to respond and verify this data. They have direct connection to students and attendance data and also monitor student progress on a regular basis. The FA office also verifies the SCHER report sent to NSLDS mailbox every other month.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

**Finding 2019-006: Special Tests – Borrower Data Transmission and Reconciliation – Significant Deficiency in Internal Control Over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0

**Criteria** – 34 CFR Section 668.16: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution—

(c)(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and

(2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in §668.15, or who do not together exercise substantial control, as defined in §668.15, over the institution.

**Condition/context** – During our initial walkthrough of the control processes with University personnel, we were unable to identify a control over the process of reconciling the University’s direct loan data to the federal government’s data.

**Effect** – If controls are not implemented, there is a risk that data may not be reconciled timely or errors may exist in the data that may go undetected.

**Cause** – The University does not have a written policy in place on the process for review and approval of monthly reconciliations.

**Repeat finding** – This is a repeat finding. See 2018-006.

**Recommendation** – We recommend that the University institute a process and control to ensure that monthly reconciliations are completed timely and accurately, and that these reconciliations are reviewed by the appropriate person(s) in a timely manner, and that review is documented.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-006: Special Tests – Borrower Data Transmission and Reconciliation – Significant Deficiency in Internal Control Over Compliance (continued)***

**Management response** – Weber and Associates and FAS prepare monthly reconciliations with bank statements provided by the University. In 2020, the University hired an outside accounting consulting firm to assist with student account reconciliations and policy and procedure creation. Financial Aid Policy has been created and Accounting Policy is in progress. In addition, additional staff positions have been created, including a dedicated AP position and an Accounts Manager position, to be primarily responsible for student account activity and reconciliations.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

***Finding 2019-007: Eligibility – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0

**Criteria** – SEC. 472 of the *Higher Education Act* (“HEA”) [20 U.S.C. 1087II] COST OF ATTENDANCE. For the purpose of this title, the term “cost of attendance” means: (1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.

**Condition/context** – We selected 34 out of 253 students enrolled and awarded federal student aid in 2019. We obtained the students’ cost of attendance calculations and compared them to their established cost of attendance policy, published tuition rates, and other supporting documents. Two of the selected students had cost of attendance that included the incorrect budget for fees.

**Effect** – The students’ financial need is calculated based on the students’ estimated cost of attendance, which in turn is used to determine eligibility for programs and packages the student’s award offer. If the cost of attendance is incorrect, this could result in an over- or under-award. In our testing, we did not identify students who were over-awarded or under-awarded resulting from this specific condition.

**Cause** – The University has a policy in place to provide its third-party processor with the annual budget; however, University personnel do not consistently review the input of that budget or the application of the budget to individual students.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

**Finding 2019-007: Eligibility – Significant Deficiency in Internal Control over Compliance (continued)**

**Repeat finding** – This is a repeat finding. See 2018-007.

**Recommendation** – We recommend that the University institute a process and control to ensure that student cost of attendance budgets are reviewed by the appropriate person(s) in a timely manner and that review is documented.

**Management response** – In 2019, Cost of Attendance (“COA”) reconciliation was performed by a third-party financial aid processor. In 2020, a new internal Accounts Manager position was created to take primary responsibility for student account reconciliations to the COA. In addition, outside accounting consulting firm will perform a second reconciliation check.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

**Finding 2019-008: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0

**Criteria** – 2 CFR 668.24(b) *Fiscal records*. (1) An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles.

(2) An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, Title IV program transaction; and
- (ii) General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-008: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance (continued)***

**Condition/context** – We selected 34 out of 253 students enrolled and awarded federal student aid in 2019. We obtained the students' financial history report and compared the date of disbursement and amount disbursed of federal aid to the Common Origination and Disbursement ("COD") system. Our testing indicated that the date of disbursement on the students' financial history report were incorrect by between 1 and 6 days.

**Effect** – The University's student data is inaccurate. Inaccurate dates and amounts of student disbursements can result in incorrect return of Title IV calculations, late reporting, or late disbursements.

**Cause** – The University does not have a control in place to review student transactions to ensure the data is consistent with the COD system.

**Repeat finding** – This is a repeat finding. See 2018-008.

**Recommendation** – We recommend that the University institute a process and control to ensure that student data is accurate within their system.

**Management response** – Management is aware some posting dates to student accounts were off on average 1–6 days. Finance office will work with FAO and FAS to insure disbursement dates match across departments. In 2020, accounting firm was hired to assist in student account reconciliations, to include disbursement posting dates and comparison to COD website data. In addition, current third-party provider provides a disbursement document for approval prior to disbursement.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

**Finding 2019-009: Eligibility – Significant Deficiency in Internal Control over Compliance**

CFDA Number	Federal Agency / Pass-Through Entity / Program Name	Award Number	Award Years	Questioned Costs
84.063	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	Known – \$567 Projected – \$3,700

**Criteria** – SEC. 472 of the *Higher Education Act* (“HEA”) [20 U.S.C. 1087KK] AMOUNT OF NEED. Except as otherwise provided therein, the amount of need of any student for financial assistance under this subchapter is equal to –

- (1) The cost of attendance of such student, minus
- (2) The expected family contribution for such student, minus
- (3) Estimated financial assistance not received under this subchapter

34 CFR Section 685.301(a)(4): A school may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS loan, or a combination of loans, for an amount that –

- (i) The school has reason to know would result in the borrower exceeding the annual or maximum loan amounts in 34 CFR Section 685.203; or
- (ii) Exceeds the student’s estimated cost of attendance less –
  - (A) The student’s estimated financial assistance for that period; and
  - (B) In the case of a Direct Subsidized Loan, the borrower’s expected family contribution for that period.

34 CFR 690.62 *Calculation of a Federal Pell Grant*. (a) The amount of a student’s Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

**Condition/context** – We selected 34 out of 253 students enrolled and awarded federal student aid in 2019. We obtained the students’ Institutional Student Information Records, award letters, and COD reports and recalculated the students’ financial need. Of those students, one was over-awarded by \$567.

**Effect** – The student received more than they were entitled to under federal regulations. Due to the elapsed time between the audit and the student’s awarding, this error was not corrected.

**Cause** – The University does not have adequate controls in place to review the packaging and disbursements to students done by their third-party processor.

**Repeat finding** – This is a repeat finding. See 2018-009.

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-009: Eligibility – Significant Deficiency in Internal Control over Compliance (continued)***

**Questioned costs** – Known questioned costs were \$567. We projected the error rate over the entire universe of students who received federal aid, and using this method, we determined likely questioned costs to be approximately \$3,700.

**Recommendation** – We recommend that the University institute a process and control to ensure that student packaging and disbursements are reviewed by the appropriate person(s) in a timely manner, and that review is documented.

**Management response** – In 2020, a new third-party financial aid processor was hired to provide a greater level of service surrounding the COA and EFC. In addition, the University added a new Accounts Manager position whose primary responsibility is student accounts management. Also, in 2020, an outside consulting firm was hired to assist in student account review and reconciliation. A month-end checklist has also been created to assist in the process.

In 2020, due to repeat audit findings, the University has replaced their third-party financial aid processor. The new provider provides a higher level of service. In addition, the University has hired an outside accounting firm to create segregation of duties in accounting tasks and to assist with month-end accounting procedures, to include Title IV compliance review. In addition, the University has created a new accounts manager position to manage student accounts and to work with the Financial Aid Office, FAS, and Finance to more effectively manage the entire Financial Aid process.

***Finding 2019-010: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0

**Criteria** – 34 CFR Section 668.164(h): A Title IV, HEA credit balance occurs whenever the amount of Title IV, HEA program funds credited to a student’s ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period as provided under paragraph (c) of this section. A Title IV, HEA credit balance must be paid directly to the student or parent as soon as possible, but no later than –

- (i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period

**University of Saint Katherine**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2019**

---

***Finding 2019-010: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance (continued)***

**Condition/context** – We selected 34 out of 253 students enrolled and awarded federal student aid in 2019. We obtained the students' ledger cards and COD reports and identified students who had a credit balance on their account as a result of Title IV payments being credited to their account. Of those students, five students did not have their credit balances returned nor was there authorization on file from the student for the University to hold the funds. Additionally, one student had their credit balance returned late.

**Effect** – Students did not receive the Title IV credit balances they were due.

**Cause** – The University does not have adequate controls in place to timely identify credit balances occurring on student accounts for further consideration of refunds.

**Repeat finding** – This is not a repeat finding.

**Recommendation** – We recommend that the University institute a process and control to ensure that student packaging and disbursements are reviewed by the appropriate person(s) in a timely manner, and that review is documented.

**Management response** – In 2020, the University created a dedicated Accounts Manager position for the management of student accounts, including notifying finance of any refunds due to students. All departments involved in processing of refunds, Accounts Manager, FAO, and Finance have been aware of this finding. In addition, the University has hired an outside accounting firm to assist in student account reconciliations to include review of open accounts balances.



## UNIVERSITY OF SAINT KATHERINE

### Summary Schedule of Prior Audit Findings

Year Ended December 31, 2019

#### ***Finding 2018-001: Segregation of Duties; Material Weakness***

**Condition** – Many of the procedures currently in place for processing and posting transactions into QuickBooks are performed solely by the Chief Financial Officer (“CFO”). The CFO has check signing authority, online access to the bank account, and the ability to record transactions into the general ledger. The CFO is responsible for approving new vendors.

**Status of corrective action** – Management addressed several of these issues in 2019 and 2020, after the prior audit was completed:

- As of November 2018, the CFO no longer has check signing ability. Check signing is performed by two individuals outside of the accounting department: the President and the Dean of Admissions/Registrar.
- New vendors are now approved by someone who does not have check signing authorization or reconciliation functions. In 2019, a bookkeeper was hired to process QuickBooks data.
- In July 2020, University of Saint Katherine (the “University”) contracted with an accounting consulting firm, PBO Advisory Group. Four positions were added: an Accounts Payable (AP) staff position to process bills and outgoing checks; an Accounts Receivable (AR) staff position to post bank deposits and monitor student AR; a Controller position to review AP and AR work, create journal entries if needed, and compile financial statements; and a CFO position to review financial statements, journal entries, and general oversight. A month-end checklist has been created with compatible functions for each position.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020 to include focusing on accounting policy and procedures per audit findings. See Finding 2019-001.

#### ***Finding 2018-002: Accounting Policies and Procedures; Material Weakness***

**Condition** – The University did not record all necessary year-end closing adjustments, and in some cases recorded erroneous entries. The University does not have a proper process in place to reconcile student activity from its student database to its accounting software in a timely manner. The University did not properly reconcile its cash accounts to the general ledger, did not reconcile a clearing account, and did not evaluate the allowance for doubtful accounts throughout the year.

**Finding 2018-002: Accounting Policies and Procedures; Material Weakness (continued)**

**Status of corrective action** – In July 2020, the University contracted with an accounting consulting firm, PBO Advisory Group. Four positions were added to insure timely processing of data, month-end reconciliations, and review: an Accounts Payable (AP) staff position to process bills and outgoing checks; an Accounts Receivable (AR) staff position to post bank deposits and monitor student AR; a Controller position to review AP and AR work, review FSA activity, create journal entries, if needed, and compile financial statements; and a CFO position to review financial statements, journal entries, and general oversight. A month-end checklist has been created to aid in completeness of month-end procedures.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020 to include focusing on accounting policy and procedures per audit findings. See Finding 2019-002.

**Finding 2018-003: Supporting Documentation; Material Weakness**

**Condition** – Certain disbursements were not supported by vendor invoices/receipts and some transactions did not have adequate documentation to support the approval of the expense by the appropriate individual. In addition, the terms and any restrictions for contributions received were not supported by documented evidence. The University received a loan but did not have an underlying executed agreement for the terms of the loan. The University also does not maintain written agreements with its coaching staff.

**Status of corrective action** – Procedure has been put in place to attach all documentation to the accounting transaction. Donor letters are posted in student/donor database. In 2020, expense reimbursement policy has been revised to include receipts for all transactions without a threshold.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020 to include focusing on accounting policy and procedures per audit findings. See Finding 2019-003.

**Finding 2018-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education			
84.268	Student Financial Assistance Cluster	N/A	2017 and 2018	\$698

**Condition/context** – The auditors selected eight out of a total 26 students who withdrew during the year and the student records were compared to the calculation of the return of Title IV funds, if any, and the federal government’s Common Origination and Disbursement system. Six of the eight students fully earned the aid disbursed to them. The remaining two students did not fully earn their awards and the University was required to calculate and return the amount unearned.

**Finding 2018-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)**

The University takes attendance; however, it did not identify a student that had stopped attending classes during the year until the end of the semester. Therefore, the student was not identified as a withdrawn student within the 14-day timeframe. In addition, the incorrect amount of Pell Grant for that student was returned. The correct funds have since been returned to the Department of Education by the University.

The University does not have a process in place to review the return of Title IV calculation or ensure students who withdraw are captured in the process.

**Status of corrective action** – The following procedures are currently in place: instructors take attendance in the student database. Attendance is now being monitored by the Dean of Admissions, Director of Student Affairs, and Assistant Athletic Director. In addition, student advisors receive alerts when students are failing classes. Registrar is notified if a student is absent two consecutive weeks. Registrar calls student, to request intent of continued enrollment. If there is an intent to withdraw, student is asked to formally withdraw. In October of 2019, the University contracted with Financial Aid Solutions (“FAS”) to replace Weber & Associates in the assistance of processing student aid awards and refunds. FAS has a higher level of service to assist with Financial Aid Processing. Written procedures are currently being updated surrounding the review and reconciliation of the R2T4 student aid withdrawal and refund form. Procedures are currently in place to reconcile FAS activity with the student database. Financial Aid Officer (“FAO”) sends an R2T4 form to FAS, Registrar posts status changes to student database. FAS returns R2T4 calculations to the University. FAO or Registrar notifies accounting of any refunds due. FAS submits refund data to Federal Student Aid (FSA). FAO submits enrollment changes within 14 days to National Student Loan Data System (“NSLDS”). Review and reconciliation of enrollment performed by FAO every other month during NSLDS reporting. Tuition and refunds reconciled against COD data monthly.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-004.

**Finding 2018-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education			
84.268	Student Financial Assistance Cluster	N/A	2017 and 2018	\$0

**Condition / context** – The auditors selected nine students for testing from the population of 44 students with status changes. The enrollment information and withdrawal or graduation date per the University’s records was compared to the information reported to the NSLDS in order to determine if status changes were reported within the required timeframes and accurately.

**Finding 2018-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)**

An exception was noted with four of the eight students that were selected for testing. Two students tested were withdrawn; however, the students were still currently reported as full time and three-quarters time in NSLDS. Two students tested were not reported within the required timeframe.

The auditors obtained the Enrollment Reporting Summary Report (“SCHER1”), which shows the dates that roster files were sent by NSLDS and returned by the University. The University has elected to receive a roster file every other month. The auditors noted 3 out of 6 roster file responses were submitted after the 15-day deadline.

**Status of corrective action** – The following procedures are currently in place: Instructors take attendance in the student database. Attendance is now being monitored by Dean of Admissions, Director of Student Affairs, and Assistant Athletic Director. In addition, student advisors receive alerts when students are failing classes. Registrar is notified if a student is absent two consecutive weeks. Registrar calls student, to request intent of continued enrollment. If there is an intent to withdraw, student is asked to formally withdraw. In October of 2019, the University contracted with FAS to replace Weber & Associates in the assistance of processing student aid and student refunds. FAS has a higher level of service to assist with Financial Aid processing and R2T4 refund calculations. Written procedures are currently being updated surrounding the review and reconciliation of the R2T4 student aid withdrawal and refund form. Procedures are currently in place to reconcile FAS activity with the student database. FAO sends an R2T4 form to FAS within 48 hours of withdrawal notice, Registrar posts status change to student database. FAS submits refund file back to the University, FAO or Registrar notifies accounting of any refunds due, FAS submits refund data to FSA. FAO updates enrollment data to NSLSDS within 14 days. Review and reconciliation of enrollment performed by FAO every other month during NSLDS reporting. Tuition and fees reconciled monthly against the Common Origination and Disbursement (“COD”) data.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-005.

**Finding 2018-006: Special Tests – Borrower Data Transmission and Reconciliation – Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2017 and 2018	\$0

**Condition/context** – During our initial walkthrough of the control processes with University personnel, The auditors were unable to identify a control over the process of reconciling the University’s direct loan data to the federal government’s data.

**Finding 2018-006: Special Tests – Borrower Data Transmission and Reconciliation – Significant Deficiency in Internal Control over Compliance (continued)**

**Status of corrective action** – In 2019, Weber and Associates performed monthly reconciliations with bank statements provided by the University. Current procedure – COA budget criteria is set up by FAO and Controller, COA budgets are populated in student base after course selection. FAS calculates EFC and awards based on budgets. FAS sends electronic data for Title IV awards, the file is downloaded into the school’s student database by FAS, FAO reconciles the data to the student database. A signed HCM1 is sent back to FAS documenting all data has been reviewed and accurately posted to student ledgers (this procedure is usually completed within 24 to 48 hours). Controller and AR are notified of award data for reconciliation to accounting system, Controller and AP are notified of disbursement data for check issuance and reconciliation to accounting system. In addition, a month-end checklist has been created to include the monthly reconciliation of FSA data to the University student database by Controller.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-006.

**Finding 2018-007: Eligibility – Material Weakness in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education			
84.268	Student Financial Assistance Cluster	N/A	2017 and 2018	\$18,592

**Condition/context** – The auditors selected 28 out of 203 students enrolled and awarded federal student aid in 2018. The auditors obtained the students’ cost of attendance calculations and compared them to their established cost of attendance policy, published tuition rates, and other supporting documents. Of those students, 14 had cost of attendance that included the incorrect budget for fees.

**Status of corrective action** – In 2018, the University did not repackage awards with errors if there was no change to the award amount. Current procedure – Student billing is now automated in Populi based on number of units, Bursar verifies correct number of units, tuition, and COA in student database (any variances are updated). Current reconciliation process in place is to review COA to FAS data, to student database to FSA. COA and EFC are also reviewed when student aid is received.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-007.

**Finding 2018-008: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063 84.268	U.S. Department of Education Student Financial Assistance Cluster	N/A	2017 and 2018	\$0

**Condition/context** – The auditors selected 28 out of 203 students enrolled and awarded federal student aid in 2018. The auditors obtained the students’ financial history report and compared the date of disbursement and amount disbursed of federal aid to the COD system. Our testing indicated that the dates of disbursement on the students’ financial history reports were incorrect by between 1 and 3 days.

The auditors selected two out of two students who were returned funds during the year as a result of the return of Title IV process. The auditors obtained the students’ financial history report and compared the date of disbursement and amount disbursed of federal aid to the COD system. One of the students did not have the correct amount returned reflected in the financial history report; however, the correct amount had been returned and reported in COD.

**Status of corrective action** – Currently, FAS calculates all the Title IV awards/disbursements and refunds. FAS sends electronic disbursement files which are uploaded into student database. The data files contain disbursement dates which will auto populate in student database to insure date consistency. A signed HCM1 is returned to FAS verifying the dollar amount of file and verifying amounts posted to student ledgers. FAS compares data against COD data. A month-end checklist has also been created to verify COD data against student database.

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-008.

**Finding 2018-009: Eligibility – Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance Cluster	N/A	2017 and 2018	\$0

**Condition/context** – The auditors selected 28 out of 203 students enrolled and awarded federal student aid in 2018. The auditors obtained the students’ Institutional Student Information Records, award letters, and COD reports and recalculated the students’ Pell awards based on the established Pell disbursement tables. Of those students, one was under-awarded by \$1,143.

**Status of corrective action** – FAS monitors under-awarding and over-awarding FAO and Controller to review EFC and Pell award prior to and after awarding.

***Finding 2018-009: Eligibility – Significant Deficiency in Internal Control over Compliance  
(continued)***

While the University made corrective changes in 2019 to address the 2018 audit findings, management believes understaffing to be the primary cause of repeat findings. Management has addressed staffing issues in 2020, to include the addition of staff, with the primary focus of creating policy and procedure to insure compliance with Title IV funding. See Finding 2019-009.



## UNIVERSITY of SAINT KATHERINE

### University of Saint Katherine

#### Corrective Action Plan

##### ***Finding 2019-001: Segregation of Duties; Material Weakness***

**Condition** – Many of the procedures currently in place for processing and posting transactions into QuickBooks are performed solely by the Chief Financial Officer (CFO). The CFO has check signing authority, online access to the bank account, and the ability to record transactions into the general ledger. The CFO is responsible for approving new vendors.

**Corrective action** - The CFO and President are responsible for implementing a corrective action plan - Management addressed several of these issues in 2018, after the prior audit was completed and also in 2019:

- As of Nov 2018, the CFO no longer has check signing authority. Accounting staff was hired to record accounting transactions into the general ledger).
- New vendors are now approved by someone who does not have check signing authorization or processes payments or performs reconciliations.

##### ***Finding 2019-002: Accounting Policies and Procedures; Material Weakness***

**Condition** – The University did not record all necessary year-end closing adjustments, and in some cases recorded erroneous entries. The University does not have a proper process in place to reconcile student activity from its student database to its accounting software in a timely manner.

The University did not properly reconcile its cash accounts to the general ledger and did not evaluate the allowance for doubtful accounts throughout the year.

**Corrective action** - The CFO and President are responsible for implementing a corrective action plan The University increased its support staff significantly in the fall of 2019 to include monthly reconciliations of all bank and credit card accounts. A month-end checklist has been created to assist with monthly closing and compliance checks. A financial aid procedures manual has been created and an accounting procedures manual is in process.

In July of 2020, the University hired an accounting consulting firm to review the 2019 Trial Balance and Schedules. Revised Trial Balance and Schedules were sent to auditors. In addition, in 2020, AP and AR consulting staff were added to provide adequate accounting knowledge for positions and to create separation of accounting duties.

##### ***Finding 2019-003 – Supporting Documentation; Material Weakness***

**Criteria** – All transactions included in the general ledger should be supported by appropriate documentation. Appropriate documentation examples include copies of checks received, approved invoices for disbursements, donor agreements, and timecards.



**UNIVERSITY of SAINT KATHERINE**

***Finding 2019-003 – Supporting Documentation; Material Weakness (continued)***

**Corrective action Management’s response** – The CFO and President are responsible for implementing a corrective action plan. Due to increased enrollment, management has been able to hire support staff to help ensure proper documentation. In 2019, an accountant was hired to perform monthly account reconciliations. In 2020, a professional accounting firm was hired to assist with accounting procedure, document collection, and documentation filing.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

***Finding 2019-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance	N/A	2019 and 2020	\$13,736
84.268	Cluster			

**Condition/context** – The auditors selected eight out of a total forty students who withdrew during the year and the student records were compared to the calculation of the return of Title IV funds, if any, and the federal government’s Common Origination and Disbursement system. Six of the eight students fully earned the aid disbursed to them. The remaining two students did not fully earn their awards and the University was required to calculate and return the amount unearned.



**UNIVERSITY of SAINT KATHERINE**

***Finding 2019-004: Special Tests – Return of Title IV – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)***

For each of the two students for the University was required to calculate the amount of unearned Title IV funds, the University used the incorrect last date of attendance in their calculations. Accordingly, an incorrect amount of unearned Title IV funds was calculated and returned in each instance. For one of the two students, no Title IV funds were returned when funds should have been returned.

**Corrective action** – The CFO and President are responsible for implementing a corrective action plan. In 2020, the University changed third-party service providers for assistance with financial aid processing. The new service provides greater assistance on a day-to-day basis, including calculation of unearned financial aid funds. In addition, the University hired an outside accounting consulting firm to assist in creating policy and to provide review of student accounts for Title IV compliance. Also, student advisors are assigned to every student and receive alerts when students are failing classes. All have been made aware that when a student does not officially withdraw, last day of attendance must be used as a withdrawal date (issue in both findings).

***Finding 2019-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance	N/A	2019 and 2020	\$0
84.268	Cluster			



## UNIVERSITY of SAINT KATHERINE

### ***Finding 2019-005: Special Tests – Enrollment Reporting – Material Weakness in Internal Control over Compliance and Instance of Material Non-Compliance (continued)***

**Condition/context** – The auditors selected 12 students for testing from the population of 59 students with status changes. The enrollment information and withdrawal or graduation date per the University’s records was compared to the information reported to the National Student Loan Data System (“NSLDS”) in order to determine if status changes were reported within the required timeframes and accurately.

An exception was noted with seven of the 12 students that were selected for testing. Three students were not reported within the required timeframe. Additionally, an incorrect change of status date was reported for five of the students.

**Corrective Action** - The CFO and President are responsible for implementing a corrective action plan. In 2020, the responsibility for enrollment reporting and verification has been re-assigned to the financial aid office. The financial aid office is in a better position to respond and verify this data. They have direct connection to students and attendance data and also monitor student progress on a regular basis. The FA office also verifies the SCHER report sent to NSLDS mailbox every other month.



**UNIVERSITY of SAINT KATHERINE**

***Finding 2019-006: Special Tests – Borrower Data Transmission and Reconciliation – Significant Deficiency in Internal Control Over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance	N/A	2019 and 2020	\$0
84.268	Cluster			

**Condition/context** – During the auditor’s initial walkthrough of the control processes with University personnel, auditors were unable to identify a control over the process of reconciling the University’s direct loan data to the federal government’s data.

**Corrective Action** - The CFO and President are responsible for implementing a corrective action plan. In 2020, the University hired an outside accounting consulting firm to assist with student account reconciliations and policy and procedure creation. Financial Aid Policy has been created and Accounting Policy is in progress. In addition, accounting staff works in conjunction with the 3<sup>rd</sup> party financial aid administrator to reconcile direct loan data to the federal government’s data.

***Finding 2019-007: Eligibility – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance	N/A	2019 and 2020	\$0
84.268	Cluster			

**Condition/context** – The Auditors selected 34 out of 253 students enrolled and awarded federal student aid in 2019. They obtained the students’ cost of attendance calculations and compared them to their established cost of attendance policy, published tuition rates, and other supporting documents. Two of the selected students had cost of attendance that included the incorrect budget for fees.



**UNIVERSITY of SAINT KATHERINE**

**Corrective Action** – The CFO and President are responsible for implementing a corrective action plan. In 2020, a new internal Accounts Manager position was created to take primary responsibility for student account reconciliations to the COA. In addition, outside accounting consulting firm will perform a second reconciliation check.

***Finding 2019-008: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance	N/A	2019 and 2020	\$0
84.268	Cluster			



## UNIVERSITY of SAINT KATHERINE

### ***Finding 2019-008: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance (continued)***

**Condition/context** – The Auditors selected 34 out of 253 students enrolled and awarded federal student aid in 2019. They obtained the students’ financial history report and compared the date of disbursement and amount disbursed of federal aid to the Common Origination and Disbursement (“COD”) system. Their testing indicated that the date of disbursement on the students’ financial history report were incorrect by between 1 and 6 days.

**Corrective Action** - The CFO and President are responsible for implementing a corrective action plan. Finance office will work with FAO and FAS to insure disbursement dates match across departments. In 2020, accounting firm was hired to assist in student account reconciliations, to include disbursement posting dates and comparison to COD website data. In addition, current third-party provider provides a disbursement document for approval prior to disbursement.



**UNIVERSITY of SAINT KATHERINE**

***Finding 2019-009: Eligibility – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	Known – \$567 Projected – \$3,700

**Condition/context** – We selected 34 out of 253 students enrolled and awarded federal student aid in 2019. We obtained the students’ Institutional Student Information Records, award letters, and COD reports and recalculated the students’ financial need. Of those students, one was over-awarded by \$567.

**Corrective Action** – The CFO and President are responsible for implementing a corrective action plan. In 2020, a new third-party financial aid processor was hired to provide a greater level of service surrounding the COA and EFC. In addition, the University added a new Accounts Manager position whose primary responsibility is student accounts management. Also, in 2020, an outside consulting firm was hired to assist in student account review and reconciliation. A month-end checklist has also been created to assist in the process.

***Finding 2019-010: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance***

<i>CFDA Number</i>	<i>Federal Agency / Pass-Through Entity / Program Name</i>	<i>Award Number</i>	<i>Award Years</i>	<i>Questioned Costs</i>
84.063	U.S. Department of Education Student Financial Assistance Cluster	N/A	2019 and 2020	\$0
84.268				



## UNIVERSITY of SAINT KATHERINE

### ***Finding 2019-010: Special Tests – Disbursements – Significant Deficiency in Internal Control over Compliance (continued)***

**Condition/context** – The Auditors selected 34 out of 253 students enrolled and awarded federal student aid in 2019. They obtained the students' ledger cards and COD reports and identified students who had a credit balance on their account as a result of Title IV payments being credited to their account. Of those students, five students did not have their credit balances returned nor was there authorization on file from the student for the University to hold the funds. Additionally, one student had their credit balance returned late.

**Corrective Action** – The CFO and President are responsible for implementing a corrective action plan. In 2020, the University created a dedicated Accounts Manager position for the management of student accounts, including notifying finance of any refunds due to students. All departments involved in processing of refunds, Accounts Manager, FAO, and Finance have been aware of this finding. In addition, the University has hired an outside accounting firm to assist in student account reconciliations to include review of open accounts balances.