



GEORGIA STATE UNIVERSITY ATLANTA, GEORGIA

**REPORT ON AUDIT
FOR FISCAL YEAR ENDED
JUNE 30, 2021**

**A Member Institution of the
University System of Georgia**



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AUDIT SUMMARY

We have audited the basic financial statements of the Georgia State University (University) as of and for the year ended June 30, 2021, and issued our report thereon, dated December 21, 2021. We conducted our audit 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. Our Independent Auditor's Report, included in the University's Annual Financial Report, is available on the Georgia Department of Audits and Accounts' website at www.audits.ga.gov and on the University's website at www.gsu.edu.

Our audit of the University found:

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

Summary of Opinions

Opinion Unit	Type of Opinion	
Business-Type Activities	Unmodified	
Aggregate Discretely Presented Component Units	Unmodified	(Audited by Other Auditors)
Fiduciary Activities	Unmodified	

As part of our Single Audit of the State of Georgia (State) for the fiscal year ended June 30, 2021, we examined the University's compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the major programs administered by the University.

The Single Audit objectives include reporting on internal control over compliance and expressing an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our *Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance* and our opinion on the State's *Schedule of Expenditures of Federal Awards* in relation to the financial statements taken as a whole is included in the State's *Single Audit Report*.

Our audit found deficiencies in internal control over compliance or instances of noncompliance or other matters applicable to the University, as described in the accompanying schedule of *Current Year Findings and Questioned Costs* under the heading Federal Award Findings and Questioned Costs. The findings identified in our audit are reported in the State's *Single Audit Report* in accordance with Title 2 CFR 200.516(a).



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report 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*

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Dr. M. Brian Blake, President
Georgia State University

We have audited the financial statements of the business-type activities, aggregate discretely presented component units, and fiduciary activities of the Georgia State University (University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 21, 2021. We conducted our audit 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.

Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, except for the Georgia State University Research Foundation, Inc. Accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those component units. This report also does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors for the component unit audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free 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*.

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

December 21, 2021

Current Year Findings and Questioned Costs

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

Federal Internal Control and Compliance Findings

FA-2021-001

Improve Controls over Cash Management

Compliance Requirement:	Cash Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P063P200086 (Year: 2021), P268K210086 (Year: 2021)
Questioned Costs:	None Identified

Description:

The University does not have adequate controls in place to ensure that excessive cash balances are not maintained and appropriate reviews and approvals occur for requests of funds related to the Federal Pell Grant and Federal Direct Student Loans programs.

Background Information:

The University requests student financial assistance (SFA) funds from the U.S. Department of Education under the advance payment method. This is the most widely used method for requesting funds, and permits, but does not require, the University to draw down SFA funds prior to disbursing funds to eligible students and parents. The University's request for funds must not exceed the amount it immediately needs for disbursements the University has made or will make to eligible students or parents. The disbursement of funds occurs on the date the Institution credits a student's account or pays a student or parent directly with either SFA funds or institutional funds used in advance of drawing down federal funds.

The University requested and received a net total of \$104,815,425 in Federal Pell Grant funds and \$200,698,649 in Federal Direct Student Loans program funds from the U.S. Department of Education during the fiscal year under review.

Criteria:

As a recipient of federal awards, the Institution is required to establish and maintain effective internal control over federal awards that provides reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.303 – Internal Controls.

Provisions included in Title 34 CFR Sections 668.163 and 668.166 provide requirements for maintaining and accounting for funds and excess cash, respectively. Specifically, provisions included in Title 34 CFR Section 668.166(a) state, "The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution – (1) Received those funds from the Secretary; or (2) Deposited or transferred to its depository account previously disbursed title IV, HEA program funds, such as those resulting from award adjustments, recoveries, or cancellations." Furthermore, provisions included in Title 34 CFR Section 668.166(b) state, "An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior

award year. The University must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount of excess cash remaining in its account after the seven-day tolerance period.”

Condition:

A review of all cash drawdowns and disbursements related to the Federal Pell Grant and Federal Direct Student Loans programs was performed to determine if any excessive cash balances were maintained during the fiscal year under review. The following deficiency was noted:

- Two periods of unallowable, excessive cash balances were noted in the Federal Direct Student Loans program. These cash balances totaled as much as \$621,311 and were maintained for a total of 35 days beyond three business days and/or the tolerance period of seven calendar days, if applicable.

In addition, upon gaining an understanding of internal controls in place over the cash drawdown process, auditors reviewed documentation for one Federal Pell Grant program and four Federal Direct Student Loans program cash drawdowns to determine if the amounts requested were reasonable and the requests were reviewed and approved by supervisory personnel prior to submission to the U.S. Department of Education; however, evidence of supervisory review and approval was not reflected on the drawdown documentation provided by the University.

Cause:

In discussing these deficiencies with management, they stated that though supervisory reviews of cash drawdowns occurred, it was not the policy of University to maintain evidence of these reviews on file. In addition, appropriate monitoring of cash balances was not performed when adjustments to student aid amounts were processed, which led to the instances of unallowable, excessive cash balances within the Federal Direct Student Loans program.

Effect or Potential Effect:

The University was not in compliance with federal regulations concerning the disbursement of Federal Direct Student Loan funds and excess cash. In addition, provisions included in Title 34 CFR Section 668.166(c) provide consequences for maintaining excess cash and state, “Upon a finding that an institution maintained excess cash for any amount or time over that allowed in the tolerance provisions... the actions the Secretary may take include, but are not limited to – (1) Requiring the institution to reimburse the Secretary for the costs the federal government incurred in providing that excess cash to the institution; and (2) Providing funds to the institution under the reimbursement payment method or heightened cash monitoring payment method.”

Recommendation:

The University should follow established procedures to ensure that Federal Direct Student Loan funds are disbursed within three business days of the receipt of such funds or follow appropriate cash tolerance procedures prescribed by the U.S. Department of Education. The University should only request Federal Direct Student Loan funds when the amounts are immediately needed to disburse funds to students or parents. The University should also ensure that potential excess cash balances are reviewed when adjustments are made to students’ awards and returned as necessary within the prescribed timeframes. In addition, the University should establish procedures to ensure that Federal Pell Grant and Federal Direct Student Loan drawdown requests are properly reviewed and approved by supervisory personnel. The University should also contact the U.S. Department of Education regarding resolution of this finding.

Views of Responsible Officials:

We concur with this finding.

Management's Corrective Action for the Current Year Findings

Mailing Address:
P.O. Box 4030
Atlanta, GA 30302-4030

Phone 404-413-3035
Fax 404-413-3075



November 18, 2021

CORRECTIVE ACTION PLANS - FEDERAL AWARD FINDINGS

FA-2021-001

Improve Controls over Cash Management

Compliance Requirement:	Cash Management	
Internal Control Impact:	Significant Deficiency	
Compliance Impact:	Nonmaterial Noncompliance	
Federal Awarding Agency:		U.S. Department of Education
Pass-Through Entity:	None	
CFDA Numbers and Titles:	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans	
Federal Award Numbers:	P063P200086 (Year: 2021), P268K210086 (Year: 2021)	
Questioned Costs:	None Identified	

Description:

The Institution does not have adequate controls in place to ensure that excessive cash balances are not maintained and appropriate reviews and approvals occur for requests of funds related to the Federal Pell Grant and Federal Direct Student Loans programs.

Corrective Action Plans:

The accumulation of Title IV cash occurred due to a high volume of funds being pulled back from student accounts and returned to the Title IV program for students that withdrew from classes. Office of Revenue, Receivable and Cashiering Services (RRCS) personnel responsible for Title IV drawdowns have been required to attend Federal Student Aid training over cash management. RRCS is now monitoring Title IV cash activity daily and will coordinate with the Office of Student Financial Aid on anticipated cash needs. In addition, evidence of supervisory review and approval has been added to Title IV drawdown documentation as recommended by the Georgia Department of Audits and Accounts.

Estimated Completion Date: November 1, 2022

Contact Person: Brad Freeman
Title: Vice President for Finance and Administration
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A handwritten signature in black ink, appearing to read "M. Blake", written over a horizontal line.

Dr. M. Brian Blake

GEORGIA STATE UNIVERSITY

Board of Regents of the University System of Georgia

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Mr. Jerry Rackliffe, Senior Vice President of Finance and Administration

Mr. Brad Freeman, Vice President for Finance and Administration