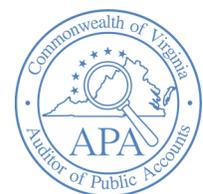




JAMES MADISON UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of James Madison University as of and for the year ended June 30, 2016, and issued our report thereon, dated July 12, 2017. Our report, included in the University's Financial Statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.jmu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

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STATUS OF PRIOR YEAR FINDINGS

Improve Compliance Over Enrollment Reporting

In our last audit, we recommended that James Madison University (University) report graduation of students timely to the National Student Loan Data System (NSLDS) in accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2) and Title 34 CFR §690.83(b)(2), and Dear Colleague Letter GEN 12-06. Follow up testing performed to support the fiscal year 2016 Commonwealth of Virginia Single Audit of federal funds (Single Audit) confirmed the University resolved the original delay in reporting graduate information to NSLDS; however, testing identified a new enrollment reporting issue regarding proper reporting for students graduating from an undergraduate program and simultaneously enrolling in a graduate program. As such, the 2016 Single Audit listed the prior finding's status of corrective action as ongoing.

A student's enrollment status determines eligibility for in-school status, as well as loan deferment and grace periods. Enrollment reporting is not only critical for effective administration of the Title IV student loan programs, but also allows the U.S. Department of Education to engage in budgetary and policy analysis.

The University plans to modify enrollment files sent to its third-party administrator to ensure it provides accurate student status information to NSLDS. We will review the implementation of the University's corrective action during the fiscal year 2017 Single Audit.

Promptly Return Unclaimed Aid to Department of Education

In our last audit, we recommended the University complete a review of its policies and procedures for identifying outstanding unclaimed federal student aid checks and return unclaimed funds to the U.S. Department of Education within the timeframe required by Code of Federal Regulations, Title 34, §668.164(h)(ii). Follow-up testing performed to support the fiscal year 2016 Single Audit did not identify unclaimed checks older than the 240-day allowable timeframe as of June 30, 2016; however, testing identified delays in returning unclaimed checks during the first quarter of fiscal year 2017. As such, the 2016 Single Audit listed the prior finding's status of corrective action as ongoing. Untimely return of unclaimed federal student aid funds can result in potential adverse actions concerning the University's participation in Title IV programs.

The University plans to generate a monthly list of outstanding, unclaimed federal student aid checks to determine if the University can apply the unclaimed funds to an existing balance on a student's account. In the event that a student does not have a balance or the student does not respond to the University's communications regarding unclaimed funds, the University will void the outstanding check and return the funds to the U.S. Department of Education. We will review the implementation of the University's corrective action during the fiscal year 2017 Single Audit.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 12, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component unit of James Madison University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated July 12, 2017. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component unit of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Improve Compliance Over Enrollment Reporting" and "Promptly Return Unclaimed Aid to the Department of Education," which are described in the section titled "Status of Prior Year Findings," that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Status of Prior Year Findings" in the findings entitled "Improve Compliance Over Enrollment Reporting" and "Promptly Return Unclaimed Aid to the Department of Education."

The University's Response to Findings

We discussed this report with management at an exit conference held on July 12, 2017. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

As described in the section titled "Status of Prior Year Findings," the University is implementing additional corrective action to address the previously reported findings "Improve Compliance Over Enrollment Reporting" and "Promptly Return Unclaimed Aid to the Department of Education." The

University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh



July 12, 2017

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

Dear Ms. Mavredes:

We have reviewed the 'Status of Prior Findings' included with this report by the Auditor of Public Accounts (APA) and discussed them during the exit conference.

In response to the federal internal control weaknesses and compliance findings, James Madison University acknowledges and concurs with the status of prior findings and has completed, or is in the process of implementing, corrective action to address the findings. Detailed responses and corrective action taken can be located within the Commonwealth of Virginia's Single Audit Report for the year ended June 30, 2016, published on APA's website:
http://www.apa.virginia.gov/APA_Reports/Reports.aspx.

Sincerely,

John F. Knight
AVP for Finance

Office of
ASSISTANT VICE PRESIDENT FOR FINANCE

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JAMES MADISON UNIVERSITY

As of June 30, 2016

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