

Knox College

Compliance Report
June 30, 2024

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RSM US LLP

**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**

Independent Auditor's Report

Board of Trustees
Knox College

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 Knox College (College) which comprise the statements of financial position as of June 30, 2024, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

Knox College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 College'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.

RSM US LLP

Davenport, Iowa
April 30, 2025

**Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Trustees
Knox College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Knox College's (College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2024. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2024-002, 2024-003, 2024-004, 2024-005, and 2024-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-006 to be a material weakness.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002, 2024-003, 2024-004 and 2024-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 College as of and for the year ended June 30, 2024, and have issued our report thereon dated April 30, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed 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.

RSM US LLP

Davenport, Iowa
April 30, 2025

Knox College

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster (Direct):			
Federal Supplemental Educational Opportunity Grants	84.007	\$ -	\$ 294,425
Federal Work-Study Program	84.033	-	196,911
Federal Perkins Loan Program	84.038	-	532,544
Federal Pell Grant Program	84.063	-	1,735,115
Federal Direct Student Loans	84.268	-	4,497,140
Total student financial assistance cluster		-	<u>7,256,135</u>
National Endowment for the Humanities:			
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development (Direct)	45.162	-	<u>54,852</u>
National Science Foundation:			
Research and Development Cluster (Direct):			
Computer and Information Science and Engineering	47.070	-	33,795
Total research and development cluster		-	<u>33,795</u>
U.S. Department of Education:			
TRIO cluster (Direct):			
TRIO Student Support Services	84.042	-	399,630
TRIO McNair Post-Baccalaureate Achievement	84.217	-	286,741
Total TRIO cluster		-	<u>686,371</u>
		<u>\$ -</u>	<u>\$ 8,031,153</u>

See notes to schedule of expenditures of federal awards.

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**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Knox College (the College) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

No funds were identified as having been provided by subrecipients by the College, and accordingly, no funds identified in the Schedule are attributable to subrecipient entities. There were no federal awards expended for noncash assistance or insurance at year-end.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on 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. Loans Outstanding

The amount presented for the Federal Perkins Loans represents total loans outstanding at July 1, 2023, for which the U.S. Department of Education imposes continuing compliance requirements. As of June 30, 2024, loans outstanding totaled \$532,544. Such amounts have been recorded net of an allowance of \$26,627 in the College's financial statements.

Note 4. Amounts Required for Matching

To comply with program requirements, amounts required to be expended from nonfederal sources have been excluded from reported expenditures. For June 30, 2024, the College's portion of expenditures was as follows:

Program Title	Federal ALN	Amount Provided for Matching
Federal Work Study Program	84.033	\$ 49,228

Note 5. Indirect Cost Rate

The College has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

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**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

There were no prior audit findings.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2024

II. Financial Statement Findings

(A) Internal Control

2024-001 Financial Statement Close Process, Unrecorded Contribution Revenue and Journal Entry Review

Repeat Finding No

Criteria

A system of internal controls over financial reporting should address all major account balances to ensure all required adjustments are made to balances each reporting period (including a documented review of all manual journal entries).

Condition

When closing the books for the year ended June 30, 2024, management's month-end closing process failed to detect unconditional pledges that should have been recorded as of June 30, 2024 which resulted in an adjusting entry of \$675,000 and projected uncorrected misstatement of \$1,225,000 to increase pledges receivable and contribution revenue for the year ended June 30, 2024. In addition, the College's trial balance was not finalized prior to the start of the audit, which lead to significant client adjustments during the audit and through issuance of the audited financial report.

Cause

The College controls in place to ensure unconditional pledges were reported to the accounting department and recorded in accordance with generally accepted accounting principles did not operate as designed. The College did not have documented controls in place related for reviews of manual journal entries. These deficiencies in control ultimately lead to the College requiring significant audit and client adjustments to the financial statements during the audit and until issuance of the audited financial report.

Effect or potential effect

Improper application of U.S. GAAP could result in material misstatements of the consolidated financial statements. Lack of formal reviews of financial information can lead to errors in financial reporting, which could have a material impact on the financial statements.

Recommendation

The College should ensure controls within the advancement and accounting departments are operating effectively to identify unconditional pledges in a timely manner during the financial statement close process. The College should implement formal control processes over journal entries and year end reconciliations in order to ensure that all account balances are properly presented.

View of responsible officials

Management agrees with this finding. See corrective action plan.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2024

(B) Compliance Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

(A) Internal Control and Compliance Findings

2024-002—Late submission of the Single Audit to the Federal Auditing Clearinghouse
U.S. Department of Education
Student Financial Assistance Programs Cluster
TRIO Cluster
Federal Award Year: 2023-2024

Repeat Finding: No

Criteria

The Code of Federal Regulations (2 CFR 200.512(a)) requires that each organization's audit must be completed and the data collection form and reporting package should be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition

The Single Audit package for the College's fiscal year ended June 30, 2024 should have been submitted to the Federal Audit Clearinghouse by March 31, 2024. The College's fiscal year 2024 Single Audit package was not submitted to the Federal Audit Clearinghouse within the required time frame.

Cause

This was due to staffing constraints at the College as well as the implementation of several new systems which impacted the College's delivery of final trial balances and requested workpapers at the scheduled time of the audit.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

Context

As of the date of issuance of the single audit report (which is subsequent to the College's deadline of March 31, 2024), the single audit report was not issued within the required deadline.

Questioned costs

There were no questioned costs with respect to this finding.

Recommendation

We recommend that the College review current processes and controls in place in order to ensure that future submissions are reported timely.

Views of responsible officials

Management agrees with this finding. See corrective action plan.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

**2024-003—Error in Reporting for National Student Loan Data System (NSLDS)
U.S. Department of Education
Student Financial Assistance Programs Cluster (Direct)
Federal Direct Loan Program (84.268)
Federal Award Year: 2023-2024**

Repeat Finding: No

Criteria

The Code of Federal Regulations (34 CFR 685.309) requires enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date.

According to the NSLDS Enrollment Reporting Guide, a student's Program-Level enrollment status should be reported with the same enrollment status as that student's campus-level enrollment status for all programs the student is enrolled in at that location, even if the student is not currently taking coursework that applies to a particular program. If the student has withdrawn or graduated from an academic program, a "terminal enrollment status" of 'W' or 'G,' as appropriate, should be reported for that program, even if the student is still taking coursework applicable to other programs in which the student is enrolled.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure enrollment reporting is completed properly.

Condition:

The College did not properly report the student enrollment change for students who received federal student aid to the NSLDS.

The College did not timely report three students' Program-Level or Campus-Level enrollment status change to NSLDS. Out of the 11 students tested, we noted 3 students (28%) whose status change at the Program-Level and Campus-Level was not timely reported to NSLDS.

The College did not have formally documented controls related to the process of enrollment reporting, which is required under Uniform Grant Guidance.

Cause

An additional submission to the NSLDS was required for the students who withdrew during the term to meet the reporting requirements that did not occur. The College noted that changes related to mid-term withdrawals are not completed until the end of the term, which is outside the allowable window of reporting noted above.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Context

We tested 11 students who received federal student aid with enrollment changes. For each student tested, management provided documentation from NSLDS showing when the student's status changed, and when it was reported. Out of the 11 students tested, we noted 3 students (28%) whose status change at the Program-Level and Campus-Level was not timely reported to NSLDS.

Questioned costs

There were no questioned costs with respect to this finding.

Recommendation

We recommend the College review current processes and implement updated processes and controls for reporting to NSLDS, implementing procedures to ensure submissions are reported timely and accurately.

Views of responsible officials

Management agrees with this finding. See corrective action plan.

**2024-004—Common Origination and Disbursement Reporting
U.S. Department of Education
Student Financial Assistance Programs Cluster (Direct)
Federal Direct Loan Program (84.268)
Federal Pell Grant Program (84.063)
Federal Award Year: 2023-2024**

Repeat Finding: No

Criteria

Per the Federal Student Aid Handbook Volume 8 Chapter 3: "For each Direct Loan that a school disburses to a student or parent, the school must submit a loan award record to the Common Origination and Disbursement (COD) system that includes the student's grade level, the loan period and academic year dates, the loan amount, the anticipated and actual dates and amounts of the loan disbursements, and other information.

For all Direct Loans, you must document the student's Cost of Attendance (COA), Expected Family Contribution (EFC), and Estimated Financial Assistance (EFA) in the student's file. This information must be made available to the Department upon request. The specific Direct Loan amount that a student or parent borrower is eligible to receive is determined based on various factors such as the student's COA, EFC, EFA, and remaining eligibility under the annual and aggregate loan limits information."

Condition

The College incorrectly reported the COA to COD for 3 students. Out of the 34 students tested, we noted 3 students (8.8%) whose COA was incorrectly reported to COD. The incorrect reporting did not have an effect on the total award given to students (reporting only).

The College did not have formally documented controls related to the processes of enrollment reporting and reporting, which is required under Uniform Grant Guidance.

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**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Cause

A manual update to each student's COA in the COD system was required, but did not occur.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

Questioned costs

There were no questioned costs with respect to this finding.

Context

We tested 34 students who received Federal Direct Student Loans. For each student tested, management provided documentation from COD, showing the reported amount of COA to COD. Out of the 34 students tested, we noted 3 students (8.8%) whose COA was incorrectly reported to COD.

Recommendation

We recommend the College review current processes and implement updated processes and controls for reporting to COD, implementing procedures to ensure reporting to COD is accurate.

Views of responsible officials

Management agrees with this finding. See corrective action plan.

2024-005—Disbursements to or on Behalf of Students (Credit Balances)

U.S. Department of Education

Student Financial Assistance Programs Cluster (Direct)

Federal Direct Loan Program (84.268)

Federal Pell Grant Program (84.063)

Federal Work Study (84.033)

Federal Award Year: 2023-2024

Repeat Finding: No

Criteria

The Code of Federal Regulations (34 CFR 668.164(h)(2)) requires that Title IV 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.

Condition

The College did not pay the Title IV credit balance to the student directly for one student within the required timeline noted above. Out of the 40 students tested, we noted one student (2.5%) who's credit balance was not paid directly to the student within the required timeframe noted above. The incorrect timing did not have an effect on the total award given to students (timing only).

The College did not have formally documented controls related to the process associated with disbursements to or on behalf of students (credit balances), which is required under Uniform Grant Guidance.

Knox College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Cause

A refund to the student was required to be made within the required timeframe, and was done outside the required timeframe.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

Questioned costs

There were no questioned costs with respect to this finding.

Context

We tested 40 students who had a credit balance of Title IV funds during the fiscal year ended June 30, 2024. For each student tested, management provided documentation from their student information system, showing the when the student was in a credit balance, and when the credit balance was disbursed to the student. Out of the 40 students tested, we noted 1 student (2.5%) whose credit balance was not timely refunded. The student had a credit balance as of March 19, 2024, and the student's credit balance was refunded to the student on April 23, 2024.

Recommendation

We recommend the College review current processes and implement updated processes and controls for timely student credit balance refunds.

Views of responsible officials

Management agrees with this finding. See corrective action plan.

2024-006—Graham Leach Bliley Act – Student Information Security
U.S. Department of Education
Student Financial Assistance Programs Cluster (Direct)
Federal Work Study Program (84.003)
Federal Pell Grant Program (84.063)
Federal Perkins Loan Program (84.038)
Federal Supplemental Educational Opportunity Grants (84.007)
Federal Direct Loan Program (84.268)

Federal Award Year: 2023-2024

Repeat Finding: No

Criteria

The Code of Federal Regulations (2 CFR 200.303(a)) requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States or the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Knox College

Schedule of Findings and Questioned Costs Year Ended June 30, 2024

The Program Participation Agreement (PPA) with the U.S. Department of Education requires the institution to comply with the Standards for Safeguarding Customer Information as described in 16 CFR Part 314 which includes the development of a comprehensive written security program that includes the following parts:

- 16 CFR 314.4(a) requires institutions to designate a qualified individual responsible for overseeing and implementing the institution's information security program and enforcing the information security program.
- 16 CFR 314.4(b) requires institutions to provide for the information security program to be based on a risk assessment that identifies reasonably foreseeable internal and external risks to the security, confidentiality and integrity of customer information (as the term customer information applies to the institution) that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assesses the sufficiency of any safeguards in place to control these risks.
- 16 CFR 314.4(c) requires institutions to provide for the design and implementation of safeguards to control the risks the institution provides through its risk assessment
- 16 CFR 314.4(d) requires institutions to regularly test or otherwise monitor the effectiveness of the safeguards it has implemented.
- 16 CFR 314.4(e) requires institutions to develop policies and procedures to ensure that personnel are able to enact the information security program.
- 16 CFR 314.4(f) requires institutions to develop policies and procedures to oversee its information system service providers.

Condition

The College's written information security program did not include the following elements required by regulation as agreed to in the PPA:

- The College has performed a risk assessment utilizing internal resources but has not based the information security program on the results of this assessment, nor has the College included all required elements of internal and external risks to the security, confidentiality or integrity of customer information. The College's risk assessment is missing an inventory of IT systems that process and store customer information and the compliance with information security elements related to multifactor authentication, access control, change management, logging and alerting and encryption.
- The College has not identified, designed or implemented safeguards for all of the risks identified in the risk assessment. The safeguards do not include the identification of security events or detection and response capabilities to support incident response.
- The College has not been able to test safeguards because safeguards have not been designed or implemented in response to the risk assessment.

Knox College

Schedule of Findings and Questioned Costs Year Ended June 30, 2024

- The College has not developed written policies and procedures to ensure that personnel are able to enact the information security program. There is a lack of evidence of leadership being required to report to the board or an appropriate supervisory council to ensure those charged with governance are informed on the current state of the information security program.
- The College has not developed policies and procedures to oversee information service providers

Cause

The College's information security policy did not include all of the required elements, in line with the Gramm-Leach-Bliley Act.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

Questioned costs

There were no questioned costs with respect to this finding.

Context

Under a College's PPA with the U.S. Department of Education, institutions must protect student financial aid information, with particular attention to information provided to institutions by the U.S. Department of Education or otherwise obtained in support of the administration of federal student financial aid programs

Recommendation

We recommend the College complete these requirements, in order to be compliance with the Gramm-Leach-Bliley Act.

Views of responsible officials

Management agrees with this finding. See corrective action plan.

**Knox College
Corrective Action Plan
Year Ended June 30, 2024**



Identifying Number: 2024-001

Finding: Financial Statement Close Process, Unrecorded Contribution Revenue and Journal Entry Review

When closing the books for the year ended June 30, 2024, management's month-end closing process failed to detect unconditional pledges that should have been recorded as of June 30, 2024 which resulted in an adjusting entry of \$675,000 and projected uncorrected misstatement of \$1,225,000 to increase pledges receivable and contribution revenue for the year ended June 30, 2024. In addition, the College's trial balance was not finalized prior to the start of the audit, which lead to significant client adjustments during the audit and through issuance of the audited financial report.

Corrective Actions Taken or Planned: The Business Office and Advancement Office have worked to identify the issues that triggered this and have put updated procedures in place to remove this discrepancy going forward.

Person Responsible: Alexander Guroff, aguroff@knox.edu

Anticipated completion date: March 2025

Identifying Number: 2024-002

Finding: Late submission of the Single Audit to the Federal Auditing Clearinghouse

The Single Audit package for the College's fiscal year ended June 30, 2024 should have been submitted to the Federal Audit Clearinghouse by March 31, 2024. The College's fiscal year 2024 Single Audit package was not submitted to the Federal Audit Clearinghouse within the required time frame.

Corrective Actions Taken or Planned: The College will work with its outside auditors to develop an appropriate timeline for the completion of future audits on a schedule that allows for timely filing of the Single Audit

Person Responsible: Alexander Guroff, aguroff@knox.edu

Anticipated completion date: May 2025

Identifying Number: 2024-003

Finding: Error in Reporting for National Student Loan Data System (NSLDS)

The College did not properly report the student enrollment change for students who received federal student aid to the NSLDS.

The College did not timely report three students' Program-Level or Campus-Level enrollment status change to NSLDS. Out of the 11 students tested, we noted 3 students (28%) whose status change at the Program-Level and Campus-Level was not timely reported to NSLDS.

The College did not have formally documented controls related to the process of enrollment reporting, which is required under Uniform Grant Guidance

Corrective Actions Taken or Planned: The Registrar's office is implementing new processes to provide timely filing of clearing house data. This process will be further improved with the transition from CX to J1 in summer 2025.

Person Responsible: Patrick Hathaway, phathaway@knox.edu

Anticipated completion date: March 2025

Identifying Number: 2024-004

Finding: Common Origination and Disbursement Reporting

The College incorrectly reported the COA to COD for 3 students. Out of the 34 students tested, we noted 3 students (8.8%) whose COA was incorrectly reported to COD. The incorrect reporting did not have an effect on the total award given to students (reporting only).

The College did not have formally documented controls related to the processes of enrollment reporting and reporting, which is required under Uniform Grant Guidance.

Corrective Actions Taken or Planned: The College has moved Financial Aid packaging for all students from CX to PowerFAIDS. This transition has removed the manual processes that caused this error.

Person Responsible: Leigh Brinson, lbrinson@knox.edu

Anticipated completion date: September 2024

Identifying Number: 2024-005

Finding: Disbursements to or on Behalf of Students (Credit Balances)

The College did not pay the Title IV credit balance to the student directly for one student within the required timeline noted above. Out of the 40 students tested, we noted one student (2.5%) who's credit balance was not paid directly to the student within the required timeframe noted above. The incorrect timing did not have an effect on the total award given to students (timing only).

The College did not have formally documented controls related to the process associated with disbursements to or on behalf of students (credit balances), which is required under Uniform Grant Guidance.

Corrective Actions Taken or Planned: The College has consistently worked to streamline the refund process in Student Financial Services and coordination with the Business Office. This process will be further enhanced by process improvements with the transition from CX to J1 in July 2025.

Person Responsible: Leigh Brinson, lbrinson@knox.edu

Anticipated completion date: July 2025

Identifying Number: 2024-006

Finding: Graham Leach Bliley Act – Student Information Security

The College's written information security program did not include the following elements required by regulation as agreed to in the PPA.

- The College has performed a risk assessment utilizing internal resources but has not based the information security program on the results of this assessment, nor has the College included all required elements of internal and external risks to the security, confidentiality or integrity of customer information. The College's risk assessment is missing an inventory of IT systems that process and store customer information and the compliance with information security elements related to multifactor authentication, access control, change management, logging and alerting and encryption.
- The College has not identified, designed or implemented safeguards for all of the risks identified in the risk assessment. The safeguards do not include the identification of security events or detection and response capabilities to support incident response.
- The College has not been able to test safeguards because safeguards have not been designed or implemented in response to the risk assessment.
- The College has not developed written policies and procedures to ensure that personnel are able to enact the information security program. There is a lack of evidence of leadership being required to report to the board or an appropriate supervisory council to ensure those charged with governance are informed on the current state of the information security program.

- The College has not developed policies and procedures to oversee information service providers

Corrective Actions Taken or Planned: For the past 2 years, the College has been systematically addressing its IT and IT Security needs. These practices were updated in January 2023 and the policies have been formalized in November 2024.

Person Responsible: James Stevens, jstevens@knox.edu

Anticipated completion date: November 2024