

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

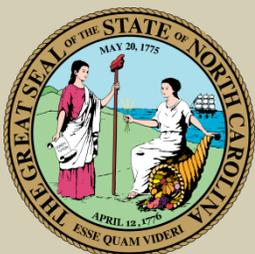


## APPALACHIAN STATE UNIVERSITY

BOONE, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2019



**NC**  **OSA**  
The Taxpayers' Watchdog



**Beth A. Wood, CPA  
State Auditor**

# TABLE OF CONTENTS

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|   | PAGE |
|---|------|
| AUDITOR'S TRANSMITTAL .....                   | 1    |
| FINDINGS, RECOMMENDATIONS, AND RESPONSES..... | 4    |
| ORDERING INFORMATION .....                    | 6    |

Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## **AUDITOR'S TRANSMITTAL**

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Dr. Sheri N. Everts, Chancellor  
Appalachian State University

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs, we have completed certain audit procedures at Appalachian State University for the year ended June 30, 2019.

Our responsibility is to express an opinion on compliance for each of the State of North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. However, the results included herein are in relation to our audit scope at the University and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

Our federal compliance audit scope at Appalachian State University included the Student Financial Assistance Cluster.

Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

We conducted our audit of compliance in accordance with the 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* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

Other Matters

*Compliance*

The results of our audit procedures at Appalachian State University disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the Findings, Recommendations, and Responses section.

*Internal Controls*

Management 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 internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 internal control over compliance.

*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 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. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Our consideration of the internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. Therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiency described in the Findings, Recommendations, and Responses section to be a significant deficiency in internal control over compliance.

Appalachian State University's Response to Finding

The University's response to the finding identified in our audit is included in the Findings, Recommendations, and Responses section of this transmittal. The University's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Purpose of This Transmittal

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

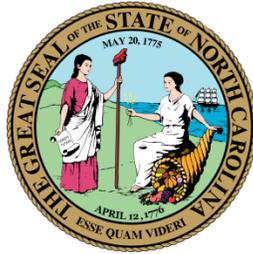
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 20, 2020



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

## **Matters Related to Federal Compliance Audit Objectives**

### UNTIMELY RETURN OF TITLE IV FUNDS

The University did not timely return Title IV funds (financial aid) after students supported by the program withdrew from the school. During the audit period, the University disbursed approximately \$116.3 million in federal financial assistance to 11,231 students.

Auditors tested the return calculations for a sample of 60 out of 280 students that met the requirements and had Title IV calculations performed. Auditors found 29 students (48%) for which unearned funds totaling \$69,922 were returned to the Title IV program between three and 98 days late.

As a result, the untimely return of those funds prevented them from being allocated to other students or used to reduce the cost of federal programs.

According to University management, the errors occurred because of a lack of timely communication between personnel within the financial aid office responsible for the return to Title IV process during the Fall 2018 term. University management also attributed the errors to inefficiencies in the return to Title IV process that was in place during the Fall 2018 term.

Federal regulations<sup>1</sup> state that if the total amount of assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the institution's determination that the student withdrew, the difference must be returned to the Title IV program.

Additionally, federal regulations<sup>2</sup> require that returns of Title IV funds be deposited or transferred into the Student Financial Aid account or that electronic fund transfers be initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determined that the student withdrew.

*Federal Award Information:* Award Year July 1, 2018 – June 30, 2019. CFDA 84.007 Federal Supplemental Educational Opportunity Grant; CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans.

*Recommendation:* University management should design and implement procedures that ensure timely communication between personnel responsible for the return to Title IV process so that funds are returned on a timely basis in accordance with federal compliance requirements.

University management should also ensure that return to Title IV processes are designed and implemented in an efficient manner.

*Agency Response:* See page 5 for Appalachian State University's response to this finding.

<sup>1</sup> 34 CFR 668.22(a)(1) through (a)(5)

<sup>2</sup> 34 CFR 668.173(b)



December 5th, 2019

The Honorable Beth A. Wood, State Auditor  
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Office of Student Financial Aid  
ASU Box 32059  
Boone, NC 28608-2059  
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**Untimely Return of Title IV Funds**

**OSA Recommendation:** University management should design and implement procedures that ensure timely communication between personnel responsible for the return to Title IV process so that funds are returned on a timely basis in accordance with federal compliance requirements.

University Management should also ensure that return to Title IV processes are designed and implemented in an efficient manner.

**Appalachian State University Response:**

The following is a formal response to the Single Audit finding provided by the Office of the State Auditor. This finding was received on November 27th, 2019 by Appalachian State University. The Office of Student Financial Aid at Appalachian State University agrees with the finding that was identified.

The action plan to address the recommendations include several changes. The Office of Student Financial Aid re-organized our staff and created a compliance team. The compliance team has been given the authority to complete the return to Title IV process from beginning to end. The Office of Student Financial Aid conducted a nation-wide search to find a new Associate Director of Financial Aid Compliance. This staff member is charged with multiple compliance tasks including leading our compliance team. The top priority of this team is to ensure that the Return to Title IV process is conducted timely and efficiently. This position reports directly to the Director of Student Financial Aid to ensure there is no delay if additional assistance is needed with any compliance related task or concern. All compliance team members will be required to complete the NASFAA Return to Title IV course. These actions were conducted to ensure that Appalachian State has in place the necessary institutional controls to ensure the timely completion of the Return to Title IV process and to ensure timely communication between personnel responsible for the return to Title IV process.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley Armstrong", written over a horizontal line.

Mr. Wesley Armstrong  
Director of Student Financial Aid  
Appalachian State University

# ORDERING INFORMATION

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For additional information, contact the  
North Carolina Office of the State Auditor at 919-807-7666.

