



STATE OF NORTH CAROLINA

FAYETTEVILLE STATE UNIVERSITY

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue
Members of the North Carolina General Assembly
Board of Trustees
Dr. James A. Anderson, Chancellor
Fayetteville State University

We have completed certain audit procedures at Fayetteville State University related to the State of North Carolina reporting entity as presented in the *Single Audit Report* for the year ended June 30, 2008. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

In the *Single Audit Report*, the State Auditor presents the results of tests of internal control and compliance with laws, regulations, contracts, and grants applicable to the State's major federal programs. Our audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the Single Audit Act.

Our audit objective was to render an opinion on the State of North Carolina's administration of major federal programs and not the University's administration of major federal programs. However, the report included herein is in relation to our audit scope at the University and not to the State of North Carolina as a whole.

The audit findings referenced in the report are also evaluated to determine their impact on the State's internal control and the State's compliance with rules, regulations, contracts, and grants. If determined necessary in accordance with *Government Auditing Standards* or the Single Audit Act, these findings are reported in the State's *Single Audit Report*.

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 report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
and Management of the Fayetteville State University

Compliance

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended June 30, 2008, we have performed audit procedures at Fayetteville State University. Our report on the State of North Carolina's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 is included in the State's *Single Audit Report*. Our federal compliance audit scope at Fayetteville State University included the following:

- SFAC – Student Financial Assistance Cluster

The audit results described below are in relation to our audit scope at the University and not to the State of North Carolina as a whole.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 opinion. Our audit does not provide a legal determination of compliance with those requirements.

The results of our audit procedures at the Fayetteville State University disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

Internal Control Over Compliance


Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in findings 1 and 2 in the Audit Findings and Responses section of this report to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the Audit Findings and Responses section of this report to be material weaknesses in relation to our audit scope at the University.

Management's responses to the findings identified in our audit are included in the Audit Findings and Responses section of this report. We did not audit the responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

February 9, 2009

AUDIT FINDINGS AND RESPONSES

Matters Related to Financial Reporting or Federal Compliance Objectives

1. UNTIMELY RETURN OF FEDERAL FUNDS

The University did not return unearned student financial aid funds to the federal government in a timely manner. Title 34 CFR, Part 668.173(b) requires that when a student withdraws from the University, the University must return the amount of federal financial aid that was not earned by the student as soon as possible, but no later than 45 days after the date the University determines that the student withdrew.

We tested 34 students who were awarded financial aid and then withdrew from the University. In 13 cases the University returned the unearned award funds to the federal government one to 103 days late, with an average of 49 days late.

Federal Award Information: Award No. P007072097 and P063P070322. Award Year 7/1/2007 - 6/30/2008.

Recommendation: The University should ensure that federal award funds that are unearned by students who withdraw from the University are returned to the federal government within the required timeframe.

University's Response: The issues cited were the result of the Office of Financial Aid not receiving timely notification that a student had withdrawn from the University. The University discontinued the on-line withdrawal process and reinstated the manual process in January of 2008. The manual process and notification by the Office of the Registrar to the Office of Financial Aid on a weekly basis identifies students who have withdrawn from the university and allows the staff to take the actions needed to ensure that the University returns unearned federal funds within the required timeframe. The manual withdrawal form was also revised in spring of 2009 to give the student seven days to complete the process. This finding has been resolved.

2. UNTIMELY NOTICE TO LENDER OF CHANGES IN STUDENTS' STATUS

The University did not provide student financial aid lenders timely notice of student withdrawals from the University. Title 34 CFR, Part 685.309(b)(2) requires the University to notify the National Student Clearinghouse within 30 days of its discovery that a recipient of a federal direct loan has ceased to be enrolled on at least a half-time basis, failed to enroll, or changed his or her permanent address unless it expects to submit its next student status confirmation report within the next 60 days.

The University failed to provide timely notice for 17 of the 34 student withdrawals we reviewed. Ten students were not reported in a response on a Student Status Change

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

Confirmation Report within 60 days of their withdrawal date. Three students have no history in the National Student Loan Data system due to there being no social security number on file in the accounting system. Four students were not reported and updated with the National Student Clearinghouse.

Federal Award Information: Award Year 7/01/2007 – 6/30/2008.

Recommendation: The University should improve controls to provide for timely notification of changes in student status.

University's Response: The issues cited were the result of the Office of Financial Aid not receiving timely notification that a student had withdrawn from the University and not having social security numbers for some students. The University has made improvements in the withdrawal process and in communication about withdrawals between departments. The University has also made provision for the Registrar to have access to social security numbers from the Office of Financial Aid for those students reported by the Banner batch report as not having a number listed on the student file. This, along with staff training, will ensure that the University submits all student data to the National Student Clearinghouse for timely updating.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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