

STATE OF NORTH CAROLINA

ELIZABETH CITY STATE UNIVERSITY

ELIZABETH CITY, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

ELIZABETH CITY STATE UNIVERSITY

ELIZABETH CITY, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2013

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THE UNIVERSITY OF NORTH CAROLINA

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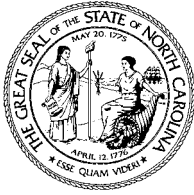
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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Board of Trustees, Elizabeth City State University
Charles L. Becton, Elizabeth City State University Interim Chancellor

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at the Elizabeth City State University for the year ended June 30, 2013. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*. We conducted the audit 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*.

Our audit objective was to render an opinion on the State of North Carolina's, 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 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*.

The audit finding referenced in the report is also evaluated to determine its 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 OMB Circular A-133, this finding is 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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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Elizabeth City State University Board of Trustees
and Management of Elizabeth City State University

Report on 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 could have a direct and material effect on each of its major programs for the year ended June 30, 2013, we have performed audit procedures at the Elizabeth City State University. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on 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 the Elizabeth City State University included the following:

- CFDA 84.031 Higher Education – Institutional Aid

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.

Management's Responsibility

Management is responsible for compliance with laws, regulations, contracts, and grants applicable to federal programs.

Auditor's Responsibility

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, which we issue in the State's *Single Audit Report*. 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

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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. However, our audit does not provide a legal determination of the University's compliance with those requirements.

Opinion on Each Major Federal Program

As stated above, our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's *Single Audit Report*.

Other Matters

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

Report on Internal Control Over Compliance

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 OMB Circular A-133, 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.

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COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
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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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, as described in the finding in the Audit Findings and Responses section of this report, that we consider to be a significant deficiency.

Purpose of Report on Internal Control Over Compliance

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 OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Management's Responses to Audit Findings

Management's response to the finding identified in our audit is included in the Audit Findings and Responses section of this report. The response was not subjected to the auditing procedures applied in the audit of compliance or consideration of internal control over compliance, and accordingly, we express no opinion on the response.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 14, 2014

AUDIT FINDINGS AND RESPONSES

Matters Related to Federal Compliance Objectives

LACK OF CONTROLS OVER FEDERAL SUSPENSION AND DEBARMENT VERIFICATION

For the Higher Education Institutional Aid program, the University did not have adequate controls in place to ensure compliance with federal suspension and debarment requirements. Thus, there was an increased risk of noncompliance with the requirements.

OMB Circular A-110 requires verification of applicable contract and procurement transactions to ensure that recipients of federal funds are not suspended or debarred. This verification is to be accomplished by either checking the federal excluded parties list or by collecting a certification from the vendor regarding its exclusion status and that of its principal employees.

The University was not aware of the requirement to check the federal listing or the option to receive certifications from vendors until we discussed our results in May 2013. Although the University had been checking the state debarred list, that effort was not sufficient to meet federal requirements. The University indicated they would start checking the federal list in June 2013. However, upon further follow-up, no documentation was provided to demonstrate that this was being done.

We tested payments made to vendors that received at least \$25,000 from July 1, 2012, through May 31, 2013, and identified no transactions with debarred vendors.

Federal Award Information: This finding affects CFDA 84.031 Higher Education Institutional Aid: Federal award P031B070024 for years October 1, 2011 – September 30, 2012 and October 1, 2012 – September 30, 2013; and Federal award P031B120553 for years October 1, 2011 – September 30, 2012 and October 1, 2012 and September 30, 2013.

Recommendation: The University should implement controls to ensure federal suspension and debarment requirements are followed and relevant documentation is maintained to prove compliance.

University Response: The University concurs, and the Purchasing Office has checked the federal list at SAM.gov for all purchase orders \$25,000 and above from the period of October 1, 2011 through September 30, 2013 for all federal awards and found no vendors with exclusions. Procedures for setting up new vendors were put in place June 17, 2013. These procedures included checking the database prior to setting up the vendor, but did not include a method for documenting the database was checked.

Effective June 17, 2013, purchase requisitions \$25,000 and above, using federal funds, are checked using SAM.gov. Effective December 20, 2013, comments are now made in the requisition file to document verification. This procedure has been improved to include not only comments, but a screen shot from the database that is attached to the requisition.

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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