

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



UNIVERSITY OF NORTH CAROLINA AT PEMBROKE

PEMBROKE, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Board of Trustees
Kyle R. Carter, Chancellor
University of North Carolina at Pembroke

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 University of North Carolina at Pembroke for the year ended June 30, 2014. 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 was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

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 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 OMB Circular A-133, 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



Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

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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**

Board of Trustees
and Management of the University of North Carolina at Pembroke

Report on Compliance for Each Major Federal Program

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, 2014, we have performed audit procedures at the University of North Carolina at Pembroke. 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 University of North Carolina at Pembroke included the 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.

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 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 the University of North Carolina at Pembroke disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in the Findings, Recommendations, and Responses section of this report.

Report on Internal Control Over Compliance

Management of the University of North Carolina at Pembroke 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.

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. However, we consider the deficiency described in the Findings, Recommendations, and Responses section of this report to be a material weakness in internal control over compliance.

University of North Carolina at Pembroke's Response to Audit Findings

The University's response to the finding identified in our audit is included in the Findings, Recommendations, and Responses section of this report. The University's 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 it.

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.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 24, 2015



FINDINGS, RECOMMENDATIONS, AND RESPONSES

MATTERS RELATED TO FEDERAL COMPLIANCE OBJECTIVES

ENROLLMENT REPORTING ERRORS THREATEN ELIGIBILITY FOR TITLE IV STUDENT AID

The University did not timely report changes to the enrollment status of students that received federal student aid to the National Student Loan Data System (NSLDS). The University had 1,050 students that received \$5,024,936.93 in federal student financial assistance subject to this reporting.

Out of a sample of 60 students who received federal financial assistance and whose enrollment status changed, 47 (78%) did not meet the federal compliance requirements:

- In 44 of the sample items not in compliance, the changes in enrollment statuses were one day to 175 days late.
- In three of the sample items not in compliance, the changes in enrollment statuses were never reported.

Further analysis revealed that all students who graduated during the 2013-2014 academic year (790 students) were reported to NSLDS inaccurately as withdrawn or still enrolled.

Information in NSLDS that is not reported timely by the University may interfere with a student's loan privileges, deferment privileges, grace periods, and other considerations including the evaluation and funding of the Title IV programs by the Department of Education. Further, the University could have had its eligibility for Title IV federal student financial aid revoked.

The University did not timely report enrollment status changes of students that received federal student aid because employees did not know it was their responsibility to ensure that the information reported to NSLDS was in agreement with the University records.

Federal regulations require the University to notify NSLDS within 30 days of a change in student status for those students that received Pell Grant and Federal Direct Loan funds. In addition, the NSLDS Enrollment Reporting Guide states the University is ultimately responsible for timely and accurate reporting.

Federal Award Information

Award Year July 1, 2013 – June 30, 2014. CFDA 84.063 Federal Pell Grant Program (Pell); CFDA 84.268 Federal Direct Student Loans (Direct Loan)

Recommendation

The University should ensure required student enrollment changes are reported timely and accurately to the Department of Education.

Agency Response

We agree with the auditor's comments, and the following actions were taken to correct the deficiencies. The Registrar's Office contacted the National Student Loan Clearinghouse November 20, 2014 and updated UNCP's profile to include the transmission of our graduated student file to the National Student Loan Data System (NSLDS). In January 2015, the Financial Aid Director selected a sample of students who graduated in December 2014 and verified NSLDS correctly reflected these students' status as 'graduated'. Going forward, the Director of Financial Aid (or his/her designee) will conduct a similar review in January and June of each year to ensure that student statuses are correctly updated to 'graduated.' Because of complications in correcting older file submissions, the status of graduates from the audit year (2013-2014) will require more time to be updated in NSLDS, but updates should be completed by June 30, 2015.

ORDERING INFORMATION

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For additional information contact:
Bill Holmes
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This audit was conducted in 425 hours at an approximate cost of \$39,950.