

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

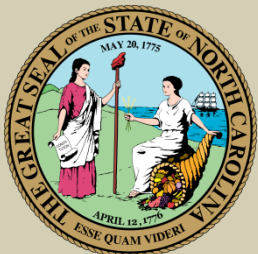


## THE UNIVERSITY OF NORTH CAROLINA AT PEMBROKE

PEMBROKE, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018



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



Beth A. Wood, CPA  
State Auditor

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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. Robin G. Cummings, Chancellor  
The University of North Carolina at Pembroke

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 The University of North Carolina at Pembroke for the year ended June 30, 2018.

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 The University of North Carolina at Pembroke 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 The University of North Carolina at Pembroke 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, we consider the deficiency described in the Findings, Recommendations, and Responses section to be a significant deficiency in internal control over compliance.

The University of North Carolina at Pembroke's Response to Finding


The University's responses 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 The University of

North Carolina at Pembroke based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

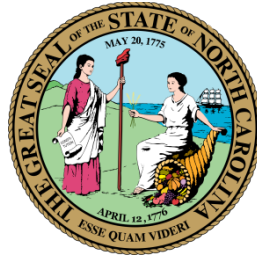
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 19, 2019



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

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

The following audit finding was identified during the current audit and describe conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

#### ERRORS IN RETURN OF TITLE IV FUNDS

The University incorrectly calculated how much money to return to the Title IV program (financial aid) after students supported by the program withdrew from school. Also, some funds were either not returned or were returned late. During the audit period, the University disbursed approximately \$55.8 million in financial aid to 5,274 students.

Auditors tested the return to Title IV calculations for a sample of 60 out of 187 students that met the requirements and had calculations performed.

- For 52 students (87%), the return calculations were incorrect.
- For 7 students (12%), a calculation was performed but the funds were either not returned or were returned late.

As a result, the University failed to return \$6,080.74 to the Title IV program and returned another \$6,868.35 between eight and 22 days late. These funds could have been allocated to other students or used to reduce the cost of federal programs.

The errors occurred because the student support specialist was assigned sole responsibility for performing the return to Title IV calculation without any supervisory review or oversight. In addition, the specialist used an incorrect number for the total days in the Fall 2017 and Spring 2018 semester calculations.

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 of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

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 ED or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

*Federal Award Information:* Award Year July 1, 2017 – June 30, 2018. 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 review and/or monitoring procedures to ensure that required calculations for returns to Title IV are complete and accurate, and funds are returned on a timely basis in accordance with federal compliance requirements.

*Agency Response:* See Page 5 for The University of North Carolina at Pembroke's response to this finding.

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

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

One University Drive  
P.O. Box 1510  
Pembroke, NC 28372

UNIVERSITY of NORTH CAROLINA  
PEMBROKE

November 13, 2018

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0600

Dear Auditor Wood:

The University of North Carolina at Pembroke agrees with the findings and recommendations that the University should design and implement monitoring procedures to ensure that required calculations for Returns to Title IV are complete, accurate and timely.

Bases on these findings, the University is strengthening its current procedures to include that:

- The student services specialist responsible for the Return to Title IV calculations received additional training in the processing of the calculations on October 2, 2018. As additional training opportunities from state and/or regional associations become available, UNCP financial aid staff will be required to attend the training. Further, guidance has been received from the U.S. Department of Education regarding adjusting our calculations due to University closure during Hurricane Florence so that the calculations can be performed accurately for Fall Semester 2018. In addition, the importance of performing the calculations in a timely manner has been reiterated to the responsible party. The responsibility of performing these calculations will be moved to the Assistant Director of Financial Aid position, which is currently vacant. We anticipate that the Assistant Director position will be filled no later than February 2019. Once hired, the Assistant Director will be charged with moving the return to Title IV calculations from our current manual process to the process that exists with our student information system, Banner within six months of his/her hire date. In order to ensure that Return to Title IV calculations are being performed accurately and timely, the Associate Director of Financial Aid will conduct a review of approximately 5% of the calculations performed each semester. This review will be conducted near the end of each term to ascertain any training or compliance deficiencies so that they can be addressed promptly and appropriately.

Sincerely,



Dr. Robin Gary Cummings  
Chancellor



# ORDERING INFORMATION

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For additional information contact:  
Brad Young  
Director of External Affairs  
**919-807-7513**



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This audit was conducted in 408.5 hours at an approximate cost of \$42,075.50.