

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA

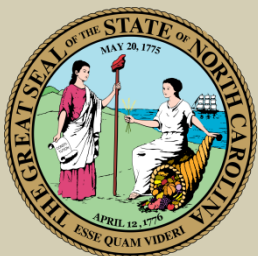


## WINSTON-SALEM STATE UNIVERSITY

WINSTON-SALEM, 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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STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
<http://www.ncauditor.net>

## **AUDITOR'S TRANSMITTAL**

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Dr. Elwood L. Robinson, Chancellor  
Winston-Salem 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 Winston-Salem State University 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 Winston-Salem State University included the Higher Education - Institutional Aid program.

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 Winston-Salem 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 and 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.

### Winston-Salem State University's Response to the 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 Winston-Salem

State University based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

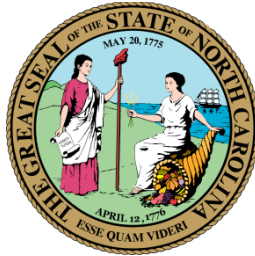
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 19, 2019



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

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

The following audit finding was identified during the current audit and describes a condition that represents a deficiency in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

#### **THE UNIVERSITY DID NOT CONSISTENTLY VERIFY WHETHER VENDORS WERE SUSPENDED OR DEBARRED**

University management did not consistently verify whether vendors had been suspended or debarred<sup>1</sup> from doing business with the federal government. During the fiscal year ended June 30, 2018, the University paid \$1,680,971 from federal grant funds to 12 vendors who were subject to this verification.

Auditors reviewed transactions that occurred during the audit period with the 12 vendors and found that the University did not verify whether 8 (67%) of the 12 vendors were suspended or debarred. The eight vendors identified as not being verified were non-construction vendors.

Management's failure to ensure all vendors were not suspended or debarred increased the risk that the University could have been defrauded or received poor quality goods and services by entering into transactions with unscrupulous vendors. There is also an increased likelihood that federal funds would not be available to support improvements in educational quality, management, and financial stability of the University.

Based on our review, none of the vendors that received payments during the audit period were suspended or debarred from doing business with the federal government.

According to University management, they were aware of the requirement to verify that vendors were not suspended or debarred; however, there were no written policies and procedures over this verification process. This led to a misunderstanding about which department was responsible for conducting the procedure for all non-construction purchases.

Federal regulations<sup>2</sup> require the University to verify that the intended vendor is not suspended or debarred or otherwise excluded from participating in federal assistance programs by either checking the government-wide System for Award Management (SAM) Exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with that vendor.

*Federal Award Information:* This finding impacts CFDA 84.031 Higher Education Institutional Aid: Federal award P031B120561 for years October 1, 2016 - September 30, 2017 and October 1, 2017 - September 30, 2018; and Federal award P031B150032 for years October 1, 2016 - September 30, 2017 and October 1, 2017 - September 30, 2018.

*Recommendation:* University management should develop written policies and procedures identifying those departments responsible for verifying suspension and debarment requirements for each type of transaction. In addition, monitoring procedures should be implemented to ensure the consistent application of such procedures by each department.

*Agency Response:* See pages 5 and 6 for Winston-Salem State University's response to this finding.

<sup>1</sup> Debarment is the state of being excluded from enjoying certain rights, privileges, or practices and act of prevention by legal means. Companies can be debarred from contracts due to allegations of fraud, mismanagement, and similar improprieties.

<sup>2</sup> 2CFR 180.300.

ELWOOD L. ROBINSON, Ph.D.



CHANCELLOR

October 31, 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 Ms. Wood:

This letter responds to the matters raised by the Office of the State Auditor as they relate to the vetting of contractors who do business with Winston-Salem State University. The university's response to the recommendation is below:

Matters Related to Federal Compliance Objectives

**THE UNIVERSITY DID NOT CONSISTENTLY VERIFY WHETHER VENDORS WERE SUSPENDED OR DEBARRED**

***OSA Recommendation:* University management should develop written policies and procedures identifying those departments responsible for verifying suspension and debarment requirements for each type of transaction. In addition, monitoring procedures should be implemented to ensure the consistent application of such procedures by each department.**

*University's Response:* We concur with the finding. Sponsored Programs (Academic Affairs) was initially charged with the responsibility of vetting Federal grant vendors against the Excluded Parties List System maintained by the General Services Administration. The University is transferring this responsibility to Purchasing Services (Finance and Administration).

To resolve this finding, the University will be changing several processes:

All contracts before completion and execution will be routed to Purchasing so that the prospective vendor can be vetted.

Purchasing will vet all Federal grant purchase orders and payment requests before execution.

Before Federal grant payments are released, a final vetting of those vendors will take place. All policies and procedures will be documented.

The Vice Chancellor of Finance and Administration is responsible for ensuring that these procedures are in place on the anticipated date of November 1, 2018.

WINSTON-SALEM STATE UNIVERSITY  
200 BLAIR HALL • WINSTON-SALEM, NORTH CAROLINA • 27110  
PHONE: 336-750-2041 • FAX: 336-750-2049 • E-MAIL: [robinsonel@wssu.edu](mailto:robinsonel@wssu.edu)

*Winston-Salem State University is a constituent institution of the University of North Carolina  
An Equal Opportunity Employer*



We trust this responds to the recommendation of the State Auditor. If you have any questions, please do not hesitate to contact me at 336-750-2041. Thank you.

Sincerely,

*Elwood L. Robinson*

Elwood L. Robinson, Ph. D.

# ORDERING INFORMATION

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Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
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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 369 hours at an approximate cost of \$38,007.