

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

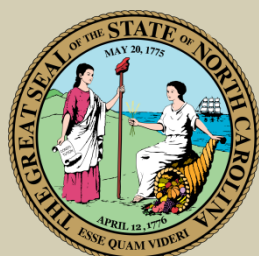


## NORTH CAROLINA CENTRAL UNIVERSITY

DURHAM, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018



**NCOSA**  
The Taxpayers' Watchdog



Beth A. Wood, CPA  
State Auditor

## TABLE OF CONTENTS

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	PAGE
AUDITOR’S TRANSMITTAL .....	1
FINDINGS, RECOMMENDATIONS, AND RESPONSES .....	4
ORDERING INFORMATION .....	7

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. Johnson O. Akinleye, Chancellor  
North Carolina Central 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 North Carolina Central 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 North Carolina Central University included the following:

- Student Financial Aid 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 North Carolina Central University disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are 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 our finding in the Findings, Recommendations, and Responses section to be a material weakness in internal control over compliance.

North Carolina Central University's Response to 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 North Carolina Central University based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

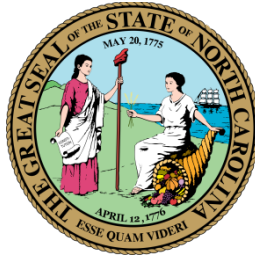
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



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 conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

**ENROLLMENT STATUS REPORTING ERRORS**

The University did not timely report enrollment status changes to the National Student Loan Data System (NSLDS) for students who received federal financial assistance. During the audit period, the University disbursed approximately \$57 million in federal financial assistance funding to 3,216 students subject to this reporting requirement.

Auditors tested the enrollment status reporting for a sample of 60 students who received federal financial assistance and whose enrollment status changed. Five (8%) student status changes were not reported to the NSLDS at all.

Failure to report student enrollment status changes to the NSLDS could impact student Pell and Direct Loan eligibility.

The University relied on the National Student Clearinghouse (Clearinghouse), a third-party service provider, to ensure accurate and timely reporting of enrollment status changes. The University did not monitor the information reported to NSLDS to ensure its agreement with University records.

Federal regulations<sup>1</sup> require the University to notify NSLDS within 75<sup>2</sup> 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 that the University is ultimately responsible for timely and accurate reporting.

*Federal Award Information:* Award Year July 1, 2017 – June 30, 2018. CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans.

*Recommendation:* University management should monitor submissions of student enrollment status changes submitted by the Clearinghouse to ensure they are reported timely and accurately to the NSLDS.

*Agency Response:* See pages 5-6 for North Carolina Central University's response to this finding.

<sup>1</sup> 34CFR 690.83 and 34CFR 685.309

<sup>2</sup> The University is required to notify the NSLDS when it discovers that a student who received loans or Pell grants has had a reduction or increase in attendance levels, graduated, withdrew/dropped out, dropped below half-time, or enrolled but never attended. Unless the University expects to complete its enrollment roster with the NSLDS within 60 days of the student's change in enrollment, the University must notify the lender or guarantee agency, via NSLDS within 30 days. The University has 15 days to turn around the roster file. Therefore, we have determined timeliness to be established as within 75 days.





James E. Shepard, Founder

Office of the Chancellor

October 16, 2018

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

Dear Auditor Wood,

North Carolina Central University (NCCU) has received the results of the audit conducted by the Office of the State Auditor (OSA) for the year ended on June 30, 2018. The Single Audit of NCCU's internal control over federal compliance (internal control) was conducted. NCCU's Chancellor and Enrollment Manager have reviewed the findings and recommendations and are in agreement with the findings. The Registrar's Office immediately implemented resolutions to address the finding.

**OSA Audit Finding:**

Enrollment Status Reporting Errors

**OSA Recommendation:**

University management should monitor submissions of student enrollment changes submitted by the Clearinghouse to ensure they are reported timely and accurately to the NSLDS.

**Agency Response:**

The University concurs with the audit finding and recognizes the importance in strengthening controls pertaining to enrollment status reporting errors.

To resolve incorrect student data electronically uploaded from the online Admissions application to the official University Banner system, if the Social Security Number or the date of birth is incorrect and the recipient receives financial aid, the Office of Scholarships and Student Aid will update the SSN or DOB using the results of the Department of Education database match prior to processing financial aid.

Furthermore, for additional internal controls, students not receiving financial aid and are identified on the Data Discrepancies Report with an incorrect SSN or DOB, a student must provide official documentation to the Registrar's Office confirming the correct social security number (SSN) or the correct date of birth (DOB). The social security card is



The Honorable Beth A. Wood, State Auditor  
 October 16, 2018  
 Page 2

required to update the social security number and a driver's license, birth certificate, and a state or federal ID is required to complete the date of birth update. Once confirmed, the SSN or DOB will be updated in the Banner Student System by the Office of the Registrar.

Once the Registrar's Office is notified of the students who had corrective actions taken on their SSN or DOB from the Office of Scholarship and Student Aid, these students will be monitored closely with their enrollment to the National Student Clearinghouse (NSC) and the National Student Loan Data System (NSLDS).

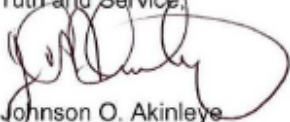
To address the students not listed on the Student Status Confirmation Report (SSCR) the Registrar's Office will continue to improve the monitoring process of reporting students to the National Student Clearinghouse (NSC) and the National Student Loan Data System (NSLDS) to ensure correctness and accuracy of enrollment data. The following steps will be taken:

- a hold will be placed on each student with incorrect SSN or DOB to prevent registration until proof is received of correct SSN or DOB
- submit the enrollment file to the NSC every two weeks,
- reconcile the entire NSC enrollment data file with the NSLDS enrollment data base on a monthly basis,
- communicate with NSLDS directly to inquire about any students that were not certified for the current cycle,
- report directly all student withdrawals online to the NSLDS.

The University Registrar, Dr. Jerome Goodwin, Division of Enrollment Management is responsible for implementing the corrective action. The anticipated completion date is December 2018.

The University has implemented a corrective action plan to appropriately address the finding to ensure compliance with federal regulations. Should there be any questions or concerns regarding the audit responses, please feel free to contact me.

In Truth and Service,



Dr. Johnson O. Akinleye  
 Chancellor

cc: Mr. Robert Botley, Interim Vice Chancellor for Administration and Finance  
 Dr. Felecia M. Nave, Provost and Vice Chancellor for Academic Affairs  
 Dr. Monica Leach, Sr. Assoc. Vice Chancellor for Enrollment Management & Academic Affairs

# ORDERING INFORMATION

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## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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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 548 hours at an approximate cost of \$56,444.