

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

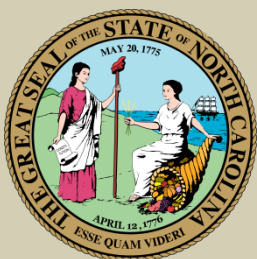


## WINSTON-SALEM STATE UNIVERSITY

WINSTON-SALEM, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2019



**NC OSA**  
The Taxpayers' Watchdog



Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
AUDITOR'S TRANSMITTAL .....	1
FINDINGS, RECOMMENDATIONS, AND RESPONSES.....	4
ORDERING INFORMATION .....	11

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

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

## **AUDITOR'S TRANSMITTAL**

---

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, 2019.

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 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 Winston-Salem State 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. Therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed in the Findings, Recommendations, and Responses section, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. The deficiency described in finding 2 is considered to be a material weakness in internal control over compliance. Furthermore, the deficiencies described in findings 1, 3, and 4 are considered to be significant deficiencies in internal control over compliance.

### Winston-Salem State University's Responses to the Findings

The University's responses to the findings identified in our audit are included in the Findings, Recommendations, and Responses section of this transmittal. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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.

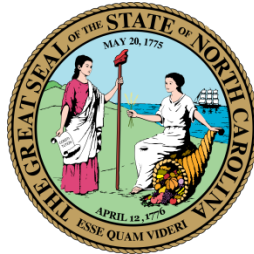
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 20, 2020



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

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

### 1. 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 \$51.9 million in financial aid to 4,401 students.

Auditors tested the return calculations for a sample of 15 out of 71 students that met the requirements and had Title IV calculations performed. Auditors found 10 students (67%) for which the return calculations were incorrect.

Additionally, auditors tested a sample of 34 out of 170 students that had a “zero” GPA<sup>1</sup> and found six students that met the requirements for a return of Title IV funds. Auditors reviewed documentation for the six students and found:

- For 6 students (100%), the return of funds calculations were incorrect due to under and over calculations.
- For 3 students (50%), the University returned funds to the Title IV program late.
- For 1 student (17%), the University failed to return the required funds entirely.

As a result, the University failed to return \$2,932 to the Title IV program, over returned \$2,556, and returned \$679 between 79 and 81 days late. These funds could have been allocated to other students or used to reduce the cost of federal programs.

According to University management, the errors occurred due to insufficiently trained staff resulting from employee turnover. There was also a lack of communication between the registrar and financial aid departments about unofficial withdrawals during the audit period.

Federal regulations<sup>2</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 institution’s determination that the student withdrew, the difference must be returned to the Title IV program.

Additionally, federal regulations<sup>3</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 the Department of Education 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, 2018 - June 30, 2019. CFDA 84.007 Federal Supplemental Educational Opportunity Grant; CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans.

---

<sup>1</sup> Represents students who did not pass any classes during the semester and did not withdraw from the University.

<sup>2</sup> 34 CFR 668.22(a)(1) through (a)(5)

<sup>3</sup> 34 CFR 668.173(b)

*Recommendation:* University management should ensure responsible employees receive proper training. University management should also design and implement procedures that ensure timely communication between personnel responsible for the return to Title IV process so that funds are returned on a timely basis in accordance with federal compliance requirements.

*Agency Response:* See pages 8 and 9 for Winston-Salem State University's response to this finding.

### 2. ENROLLMENT STATUS REPORTING ERRORS

The University did not accurately 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 \$49.8 million in financial aid to 4,384 students subject to this requirement.

Auditors reviewed the enrollment status reporting for a sample of 60 students who received federal financial assistance and whose enrollment status changed. Eight (13%) students were reported with an incorrect status change.

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

According to University management, there were two reasons why enrollment status changes were not reported.

First, the University relied upon the information system (Banner) to accurately report status changes. During the audit period, the information system was not setup to identify all types of student enrollment status changes.

Second, the University Registrar stated she was unaware that the University needed to monitor NSLDS for all types of enrollment status changes.

Federal regulations<sup>4</sup> require the University to notify NSLDS within 75 days<sup>5</sup> 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, 2018 - June 30, 2019. CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans.

*Recommendation:* University management should establish monitoring procedures to ensure that information systems are properly setup to identify all types of student enrollment status changes. University management should provide training or take other action to ensure that staff are aware of NSLDS requirements.

---

<sup>4</sup> 34 CFR 690.83 and 34 CFR 685.309

<sup>5</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.



*Agency Response:* See page 9 for Winston-Salem State University's response to this finding.

### 3. DEFICIENCIES IN TRANSFER MONITORING

The University did not obtain updated financial aid history through the National Student Loan Data System (NSLDS) for transfer students before disbursing Title IV aid. During the audit period, the University disbursed approximately \$51.9 million in financial aid to 4,401 students.

Auditors reviewed the financial aid history for 60 out of 406 students who received federal financial assistance and transferred to the University during the 2018-2019 award year. For nine (15%) students, the University failed to request updated information about each student before disbursing funds.

Failure to obtain updated financial aid history for transfer students could result in the disbursement of Title IV funds to students who have reached their lifetime award limits and impact students' Pell and Direct Loan eligibility.

According to University management, the University contracted with a consultant to review the NSLDS for transfer students. However, the University did not monitor the procedures performed by the consultant to ensure federal requirements were met. Prior to the audit, management was unaware that the consultant failed to properly add students to the transfer monitoring list and/or obtain updated financial aid history for transfer students during the audit period.

Federal regulations<sup>6</sup> require the University request updated information about transfer students so it can make certain required determinations<sup>7</sup> before disbursing funds.

*Federal Award Information:* Award Year July 1, 2018 - June 30, 2019. CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans.

*Recommendation:* University management should implement monitoring procedures, such as a secondary review of procedures performed by the contracted consultant, to ensure federal compliance requirements are met for all transfer students.

*Agency Response:* See page 9 for Winston-Salem State University's response to this finding.

---

<sup>6</sup> 34 CFR 668.19

<sup>7</sup> The University is required to use the transfer monitoring list and/or updated financial aid history to determine: whether any transfer student is in default on any Title IV loan; owes an overpayment on any Title IV grant; the amount of Title IV funds disbursed to the student for the award year; the outstanding principal balance of loans made to the student under each Title IV program; and the amount of, and period of enrollment for, loans made to the student under each Title IV program for the academic year requested.

### 4. DEFICIENCIES IN CASH MANAGEMENT

The University requested and received federal student financial aid funds that exceeded the immediate need of students, and held a balance of these excess funds in violation of federal requirements. During the fiscal year ended June 30, 2019, the University requested approximately \$52.2 million in financial aid subject to the requirements.

Auditors tested all 51 drawdowns that occurred during the audit period and found seven (14%) that exceeded the immediate need of students by a total of \$126,887. Additionally, four of these seven drawdowns resulted in excess cash balances totaling \$80,036 that were returned between 17 to 31 days late.

As a result, the additional funds on hand at the University prevented them from being allocated to other students or reducing the cost of federal programs.

According to University management, there were changes made to student award calculations following the request for funds that were not communicated to personnel responsible for drawing down funds. In addition, there was no further review performed to determine if an excess cash balance existed.

Federal regulations<sup>8</sup> require that the University request funds that do not exceed the amount immediately needed for disbursements to students and parents. Any amounts not disbursed by the end of the third business day are considered excess cash<sup>9</sup> and are required to be promptly returned within the next seven calendar days.

*Federal Award Information:* Award Year July 1, 2018 - June 30, 2019. CFDA 84.007 Federal Supplemental Educational Opportunity Grant; CFDA 84.033 Federal Work-Study Program; CFDA 84.063 Federal Pell Grant Program; CFDA 84.268 Federal Direct Student Loans; CFDA 93.364 Nursing Student Loans; CFDA 93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds.

*Recommendation:* University management should design and implement monitoring procedures over the drawdown process to ensure requested funds do not exceed immediate need for disbursements and any excess cash is promptly returned in accordance with federal compliance requirements. Further, these monitoring procedures should ensure that all changes made to student award calculations are communicated prior to drawing down funds.

*Agency Response:* See page 10 for Winston-Salem State University's response to this finding.

---

<sup>8</sup> 34 CFR 668.162(b)

<sup>9</sup> 34 CFR 668.166(a) and (b)



# WINSTON-SALEM STATE UNIVERSITY

January 28, 2020

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:

We are providing the written response for the findings identified in connection with your audit of the major federal programs of the State of North Carolina for the year ended June 30, 2019, in accordance with the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The responses have been prepared for each audit finding.

## 1. Errors in Return of Title IV Funds

**OSA Recommendation: University Management should ensure responsible employees receive proper training. University Management should also design and implement procedures that ensure timely communication between personnel responsible for the return of Title IV process so that funds are returned on a timely basis in accordance with federal compliance requirements.**

**College Response:** Winston-Salem State University agrees with the findings and the recommendations as it relates to errors in Return of Title IV Funds and will take corrective action steps to implement the OSA recommendation in order to ensure no future errors.

The Registrar and the Office of Financial Aid will work to provide a list of unofficial withdrawals or “zero GPA” students as soon as possible after the end of the prior semester, which will assist in the timely return of Title IV funds. A Registrar/Financial Aid process and procedure will be written and implemented to ensure this list of “zero GPA” students is a University procedure that must be completed. We have provided training to the responsible employee for Return to Title IV calculations and will continue to provide additional training as these opportunities become available. The Associate Director for Financial Aid and Compliance has instituted an annual Compliance Calendar and will take a sample of 5 Return to Title IV calculations twice each semester in order to ensure compliance with federal regulations and determine if additional training for the responsible staff member is necessary.

The Director of Financial Aid and the Associate Director for Compliance and Accounting will be responsible for implementing the corrective action. Corrective action was taken in October 2019

in the form of training was provided to the responsible employee for Return to Title IV calculations, along with all Return to Title IV calculations for fall 2019 being reviewed. The Financial Aid/Registrar process and procedure for the "zero GPA" student list will be written and implemented by early February 2020.

## 2. Enrollment Status Reporting Errors

**OSA Recommendation: University Management should establish monitoring procedures to ensure that information systems are properly setup to identify all types of student enrollment status changes. University management should provide training or take other action to ensure that staff are aware of NSLDS requirements.**

**College Response:** Winston-Salem State University agrees with the findings and the recommendations as it relates to Finding #2: Enrollment Status Reporting Errors and will take corrective action steps to implement the OSA recommendation in order to ensure no future errors.

Steps have been taken to ensure that the Registrar leadership team reviews federal aid policy changes annually to confirm that any relevant adjustments are made and all enrollment status types accounted for. The information system (Banner) is now properly setup to identify all types of student enrollment status changes. The errors were due to an oversight with the validation table in Banner: STVTMST. The mapping for 3Q three quarter time was set to half time but was changed to correctly reflect 3Q to NSLC Equivalent = Q in production WSSUPROD.

The Director of Financial Aid and the Associate Director for Compliance and Accounting will be responsible for implementing the corrective action. Corrective action was completed in late August 2019.

## 3. Deficiencies in Transfer Monitoring

**OSA Recommendation: University Management should implement monitoring procedures, such as a secondary review of procedures performed by the contracted consultant, to ensure federal compliance requirements are met for all transfer students.**

**College Response:** Winston-Salem State University agrees with the findings and the recommendations as it relates to Finding #3: Deficiencies in Transfer Monitoring and will take corrective action steps to implement the OSA recommendation in order to ensure no future errors.

As part of the Compliance Calendar, the Associate Director for Compliance and Accounting will monitor each semester to ensure the proper transfer monitoring was performed. These transfer monitoring procedures will be completed at least monthly during the semester.

The Director of Financial Aid and the Associate Director for Compliance and Accounting will be responsible for implementing the corrective action. Corrective action was completed in October 2019.

## 4. Deficiencies in Cash Management

**OSA Recommendation: University Management should design and implement monitoring procedures over the drawdown process to ensure requested funds do not**

exceed immediate need for disbursements and any excess cash is promptly returned in accordance with federal compliance requirements. Further, these monitoring procedures should ensure that all changes made to student award calculations are communicated prior to drawing down funds.

**College Response:** Winston-Salem State University agrees with the findings and the recommendations as it relates to Finding #4 Deficiencies in Cash Management and will take corrective action steps to implement the OSA recommendation in order to ensure no future errors.

Procedures to ensure requested funds do not exceed immediate need for disbursements and excess cash is returned promptly have been put in place. Departmental leadership will ensure that all changes made to student award calculations are communicated prior to drawing down funds. The corrective action has taken place, but there is continued monitoring to guarantee that the deficiencies which showed up in audit are resolved and all procedures for cash management are being followed by all parties.

The Director of Financial Aid and the Associate Director for Compliance and Accounting will be responsible for implementing the corrective action. Corrective action was completed in September 2019 when the procedure agreed upon by all parties for cash management was implemented and we are going to review again in January 2020 to make sure the processes are working as they should.

Sincerely,



Elwood L. Robinson, Ph. D.

# ORDERING INFORMATION

---

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

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500  
Facsimile: 919-807-7647  
Internet: <https://www.auditor.nc.gov/>

To report alleged incidents of fraud, waste or abuse in state government contact the  
Office of the State Auditor Fraud Hotline: **1-800-730-8477**  
or download our free app.



[https://play.google.com/store/apps/details?id=net.ncstateauditor.ncauditor&hl=en\\_US](https://play.google.com/store/apps/details?id=net.ncstateauditor.ncauditor&hl=en_US)



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information, contact the  
North Carolina Office of the State Auditor at 919-807-7666.

