

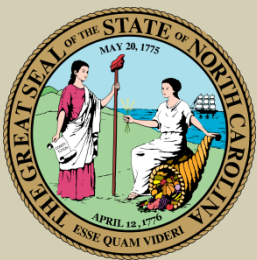
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



ELIZABETH CITY STATE UNIVERSITY

ELIZABETH CITY, NORTH CAROLINA
STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2020



NCOSA
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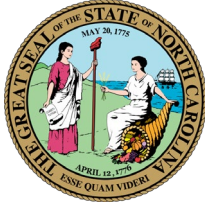


Beth A. Wood, CPA
State Auditor

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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Dr. Karrie G. Dixon, Chancellor
Elizabeth City 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 Elizabeth City State University for the year ended June 30, 2020.

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 Elizabeth City State University included the Student Financial Assistance Cluster.

Our audit was performed by authority of Chapter 147, Article 5A 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 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 consider necessary in the circumstances.

Other Matters

Compliance

The results of our audit procedures at Elizabeth City State University disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and is described in finding 1 in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 the University's 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 have not been identified. However, as discussed in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 1 is considered to be a material weakness in internal control over compliance. Furthermore, the deficiency described in finding 2 is considered to be a significant deficiency in internal control over compliance.

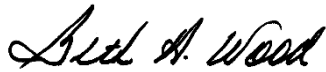
Elizabeth City State University's Response to Findings

The University's responses to the findings identified in our audit are included in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 Elizabeth City State University based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

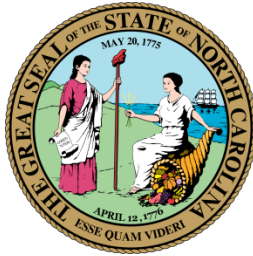
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2021



FINDINGS, RECOMMENDATIONS, AND VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE

Matters Related to Federal Compliance Audit Objectives

1. 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 \$14.3 million in federal financial assistance funding to 1,556 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.

Eight (13%) students were not reported in accordance with federal compliance requirements. Specifically:

- One student was not reported to NSLDS at all.
- Seven students were reported with incorrect statuses.

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

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

Federal regulations¹ require the University to notify NSLDS within 75 days² 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: Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.063 (Federal Pell Grant Program) and 84.268 (Federal Direct Student Loans); Federal Award Identification Numbers (award periods): P063P190321 (July 1, 2019 - June 30, 2020) and P268K200321 (July 1, 2019 - June 30, 2020).

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. University management should also implement monitoring procedures to ensure all students with enrollment status changes are identified and communicated to the appropriate parties.

Views of Responsible Officials of the Auditee: See page 6 for Elizabeth City State University's response to this finding.

¹ 34 CFR 690.83 and 34 CFR 685.309

² 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.

2. INFORMATION SECURITY PROGRAM DOES NOT MEET MINIMUM FEDERAL REQUIREMENTS

The University did not have a documented risk assessment over protecting students' financial aid information or a designated individual to coordinate the information security program as required by federal regulations³. During the audit period, the University disbursed approximately \$15.1 million in federal financial assistance to 1,560 students subject to this requirement.

As a result, student information is more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

According to University management, the error occurred because responsible staff were unaware that federal regulations require a risk assessment that identifies risks to employee training and management over security, confidentiality, and integrity of students' financial aid information. In addition, there was not a designated individual to coordinate the information security program due to employee turnover.

The Gramm-Leach Bliley Act⁴ requires financial institutions to designate an individual to develop, implement, and maintain an information security program that includes a documented risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.007 (Federal Supplemental Educational Opportunity Grants), 7 (Federal Direct Student Loans), 84.379 (Teacher Education Assistance for College and Higher Education Grants); Federal Award Identification Numbers (award periods): P007A193094 (July 1, 2019 - June 30, 2020), P033A193094 (July 1, 2019 - June 30, 2020), P063P190321 (July 1, 2019 - June 30, 2020), P268K200321 (July 1, 2019 - June 30, 2020), and P379T200321 (July 1, 2019 - June 30, 2020).

Recommendation: University management should ensure responsible staff receive training on the federal regulation required under the Gramm-Leach-Bliley Act and revise its information security program as necessary.

Views of Responsible Officials of the Auditee: See page 6 for Elizabeth City State University's response to this finding.

³ 16 CFR 314.4

⁴ Public Law 106-102



March 12, 2021

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:

This letter represents our response to 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, 2020, 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 University agrees with the findings and will implement the necessary actions as it relates to Enrollment Reporting errors and Information Security Program requirements addressed. The matters discussed in this letter will be given special emphasis in our on-going monitoring efforts. All corrective actions have an anticipated completion date of May 2021.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karrie G. Dixon', is written below the word 'Sincerely,'.

Karrie G. Dixon, Ed.D. Chancellor

ORDERING INFORMATION

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North Carolina Office of the State Auditor at:

919-807-7666



This audit required 549 hours at an approximate cost of \$57,096.