

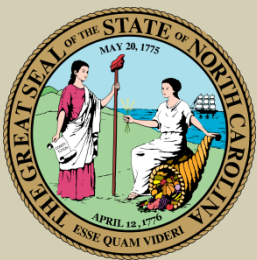
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



FAYETTEVILLE STATE UNIVERSITY

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



NCOSA
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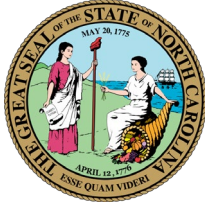


Beth A. Wood, CPA
State Auditor

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STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Darrell T. Allison, Chancellor
Fayetteville 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 Fayetteville 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 Fayetteville 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 Fayetteville 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.

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

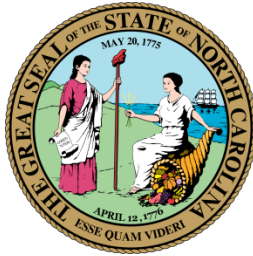
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



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 \$47.3 million in federal financial assistance funding to 4,789 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. Twenty-one (35%) students were reported 109 to 263 days after the status change occurred.

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

According to University management, the errors occurred because procedures were not sufficient enough to ensure other departments were notifying the Registrar's Office in a timely manner of enrollment changes in students who had graduated. Additionally, the University did not monitor the information reported to NSLDS through the National Student Clearinghouse (Clearinghouse), a third-party service provider, to ensure its agreement with University records.

Federal regulations¹ require the University to notify NSLDS within 75² 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: 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): P063P190322 (July 1, 2019 - June 30, 2020) and P268K200322 (July 1, 2019 - June 30, 2020).

Recommendation: University management should design and implement procedures to ensure that enrollment status changes are reported to the Registrar's Office timely so those changes can be updated in NSLDS in accordance with federal compliance requirements. University management should also implement monitoring procedures to ensure timely reporting of enrollment status changes to NSLDS through the Clearinghouse.

Views of Responsible Officials of the Auditee: See pages 6-7 for Fayetteville 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. UNTIMELY RETURN OF TITLE IV FUNDS

The University did not timely return Title IV funds (financial aid) after students supported by the program withdrew from the school. During the audit period, the University disbursed approximately \$47.3 million in federal financial assistance to 4,789 students.

Auditors tested the return calculations for a sample of 49 out of 243 students that met the requirements and had Title IV calculations performed. Auditors found seven students (14%) for which unearned funds totaling \$5,217 were returned to the Title IV program between six and 34 days late.

As a result, the untimely return of those funds prevented them from being allocated to other students or used to reduce the cost of federal programs.

According to University management, the errors occurred because procedures were not sufficient enough to ensure other departments were notifying the Registrar's Office in a timely manner of students who unofficially withdrew during the period.

Federal regulations³ 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, to ensure that Title IV funds are returned within a reasonable period of time, federal regulations⁴ require schools to determine the withdrawal date in cases of unofficial withdrawals within 30 calendar days from the earliest of the end of (1) the payment period or period of enrollment, as applicable, (2) the academic year, or (3) the student's educational program.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.007 (Federal Supplemental Educational Opportunity Grants), 84.063 (Federal Pell Grant Program), and 84.268 (Federal Direct Student Loans); Federal Award Identification Numbers (award periods): P007A193097 (July 1, 2019 - June 30, 2020), P063P190322 (July 1, 2019 - June 30, 2020), and P268K200322 (July 1, 2019 - June 30, 2020).

Recommendation: University management should design and implement procedures to ensure that withdrawals are identified and reported timely to the Registrar's Office so that funds are returned on a timely basis in accordance with federal compliance requirements.

Views of Responsible Officials of the Auditee: See page 7 for Fayetteville State University's response to this finding.

³ 34 CFR 668.22(a)(1) through (a)(5)

⁴ 34 CFR 668.22(j)(2)



Office of the Chancellor

February 22, 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:

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, 2020, in accordance with the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 22, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The responses have been prepared for each audit finding.

1. Enrollment Reporting Errors

OSA Recommendation: University management should design and implement procedures to ensure that enrollment status changes are reported to the Registrar's Office timely so those changes can be updated in the NSLDS in accordance with federal compliance requirements. University management should also implement monitoring procedures to ensure timely reporting of enrollment status changes to NSLDS through the Clearinghouse.

University Response: Fayetteville State University agrees with the findings and the recommendations as it relates to Enrollment Reporting Errors. Based on this finding, the University is strengthening its current procedures to include the following:

- The University provided critical information to administration, faculty, and staff regarding the timeliness of grade submissions and other documentation required by the Office of the Registrar to complete critical end of term processing.
- The Registrar will continue to send notifications to faculty of critical deadlines via email and Canvas.
- Steps have been taken to ensure continued education/training of the Office of the Registrar staff on the graduated student file submission process using the National Student Clearinghouse Academy webinars.

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Fayetteville State University is a constituent institution of the University of North Carolina

- Multiple graduation only files will be sent to the National Student Clearinghouse during the degree clearance process.
- The Registrar leadership has been granted access to NSLDS to monitor the information reported to NSLDS through the National Student Clearinghouse to ensure accurate reporting of University records. The Registrar will trace 15% of graduated students at the end of each fall and spring term.

The Registrar will be responsible for the corrective action. Corrective action was completed in February 2021.

2. Untimely Return of Title IV Funds

OSA Recommendation: University management should design and implement procedures to ensure that withdrawals are identified and reported timely to the Registrar's Office that funds are returned on a timely basis in accordance with federal compliance requirement.

University Response: Fayetteville State University agrees with the finding and recommendation as it relates to Untimely Return of Title IV Funds. Based on this finding, the University is strengthening its current procedures to include the following:

- Additional communication has been added to Canvas to remind faculty of critical deadlines. The University will continue to send communication to faculty regarding the importance of timely submission of grades to identify students who are unofficially withdrawn.
- The Registrar will monitor 20% of the unofficial withdrawals at the end of each term.

The Registrar will be responsible for the corrective action. Corrective action was completed in February 2021.

Sincerely,
Peggy Valentine
Peggy Valentine (Feb 22, 2021 17:22 EST)

Peggy Valentine, Ed.D.
Interim Chancellor

ORDERING INFORMATION

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