

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

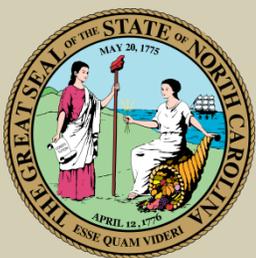


NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

GREENSBORO, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2020



NC  **OSA**
The Taxpayers' Watchdog

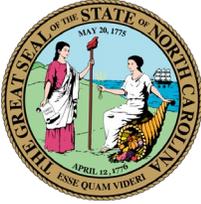


**Beth A. Wood, CPA
State Auditor**

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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Dr. Harold L. Martin, Sr., Chancellor
North Carolina Agricultural and Technical 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 North Carolina Agricultural and Technical 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 North Carolina Agricultural and Technical State University included the following:

- Student Financial Assistance Cluster
- CFDA 84.425 Education Stabilization Fund – Higher Education Emergency Relief Fund.

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 North Carolina Agricultural and Technical State University disclosed no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiency described in the Finding, Recommendation, and Views of Responsible Officials of the Auditee section to be a significant deficiency in internal control over compliance.

North Carolina Agricultural and Technical State University's Response to Finding

The University's response to the finding identified in our audit is included in the Finding, Recommendation, and Views of Responsible Officials of the Auditee 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 Agricultural and Technical State University based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

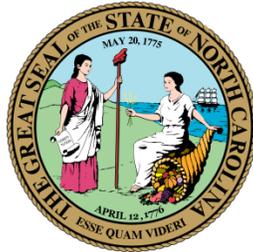
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2021



**FINDING,
RECOMMENDATION, AND
VIEWS OF RESPONSIBLE
OFFICIALS OF THE
AUDITEE**

Matters Related to Federal Compliance Audit Objectives

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, 2020, the University requested approximately \$126.7 million in financial aid subject to the requirements.

Auditors tested all 21 drawdowns that occurred during the audit period and found two (10%) that exceeded the immediate need of students. This resulted in excess cash balances totaling \$7,752 that were returned 353 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 adjustments 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 regulations¹ 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 cash² and are required to be promptly returned within the next seven calendar days.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.007 (Federal Supplemental Educational Opportunity Grants); 84.033 (Federal Work-Study Program); 84.063 (Federal Pell Grant Program); 84.268 (Federal Direct Student Loans); 84.379 (Teacher Education Assistance for College and Higher Education Grants); Federal Award Numbers (award period): P007A193138; P033A193138; P063P190317; P268K200317; P379T200317 (July 1, 2019 - June 30, 2020).

Recommendation: University management should design and implement monitoring procedures over the drawdown process to ensure requested funds do not exceed the 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.

Views of Responsible Officials of the Auditee: See page 5 for North Carolina Agricultural and Technical State University's response to this finding.

¹ 34 CFR 668.162(b)

² 34 CFR 668.166(a) and (b)



**NORTH CAROLINA
AGRICULTURAL AND TECHNICAL
STATE UNIVERSITY**

www.ncat.edu

A LAND-GRANT UNIVERSITY and A CONSTITUENT INSTITUTION of THE UNIVERSITY of NORTH CAROLINA

February 24, 2021

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

Dear Auditor Wood:

North Carolina Agricultural and Technical State University is providing our response to the finding of the audit conducted of the major federal programs of the State of North Carolina for the year ended June 30, 2020.

DEFICIENCIES IN CASH MANAGEMENT

OSA Recommendations

Recommendation: University management should design and implement monitoring procedures over the drawdown process to ensure requested funds do not exceed the 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

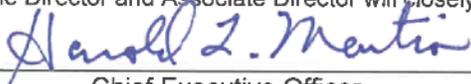
North Carolina Agricultural and Technical State University (NCAT) agrees with the finding and recommendations and has developed monitoring procedures for the drawdown process of federal funds to ensure the amount awarded does not exceed the immediate need for disbursements. NCAT will review and adjust its monitoring and closeout procedures to ensure all changes made to students' awards requiring funds be returned to the federal government are performed in a timely manner, especially after the funds have been initially closed out.

All excess cash has been identified and returned in accordance with federal compliance requirements. Annually, the Associate Director will notify all Financial Aid Office personnel that the programs have been reconciled, closed, and that any revisions to the program closeout must be cleared by the Director. The Financial Aid Director will place a lock on all federal funds after the reconciliation and closeout of funds. The Director and Associate Director will closely monitor the programs after the close out year.

The following actions have been taken:

- The Federal Pell Grant and Federal Direct Loan funds have been returned to the federal programs as of September 2020. The G5 account is currently updated and the programs were closed again. A letter was received from the U.S. Department of Education dated September 30, 2020 advising that NCAT had successfully closed out the Direct Loan program.
- The Financial Aid Director has locked the funds for the prior years.
- The required staff have been notified of the finding, locking of funds and the requirement to notify the Director if changes are needed.

The Director and Associate Director will closely monitor the funding after the year has been closed out.



Chief Executive Officer



Chief Financial Officer

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