

2011 Financial and Federal Compliance Audit Reports Released Since Last Meeting by the N.C. Office of the State Auditor:

1. Elizabeth City State University – (Financial Audit) No Audit Findings  
Date Released: 1/26/2012

Report URL

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FIN-2011-6086.pdf>

2. North Carolina Central University – (Financial Audit) No Audit Findings  
Date Released: 3/26/2012

Report URL

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FIN-2011-6090.pdf>

3. North Carolina A&T State University – (Federal Compliance Audit) No Findings  
Date Released: 3/28/2012

Report URL

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FSA-2011-6070.pdf>

4. North Carolina Central University – (Federal Compliance Audit) No Findings  
Date Released: 3/28/2012

Report URL

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FSA-2011-6090.pdf>

5. Fayetteville State University – (Federal Compliance Audit) Two Findings  
Date Released: 3/28/2012

Report URL

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FSA-2011-6088.pdf>

**Matters Related to Federal Compliance Objectives**

The following findings and recommendations were identified during the current audit and discuss conditions that represent deficiencies in internal control and/or noncompliance with laws, regulations, contracts, or grants.

# 1. LACK OF CONTROLS OVER PREPARATION OF THE ANNUAL PERFORMANCE REPORT

For the Higher Education Institutional Aid program, the University did not have controls in place to ensure that the Annual Performance Reports were prepared in accordance with program requirements. Thus, there is an increased risk of inaccurate and/or incomplete reports.

During our review of the report, we noted the following deficiencies:

- The Annual Performance Reports were prepared using data outside of the October 1, 2010 to September 30, 2011 reporting period. This resulted in the underreporting of \$160,062 in expenditures for the Student Aid and Fiscal Responsibility Act (SAFRA) grant and the underreporting of \$239,745 in expenditures for the Strengthening Historically Black Colleges and Universities Program (HBCU). In total, the University underreported grant expenses for the federal fiscal year 2011 in the amount of \$399,807.
- Documentation supporting the classification of grant expenses was inadequate to validate the Annual Performance Report's expense classification for legislative allowable activities (LAA). These expense classifications drive the information to be presented in the remainder of the performance report. Because an LAA's expense information was not properly entered or omitted, the preparer was not directed to answer performance measurement questions related to an activity area. This rendered the report incomplete.
- There were also areas of the Annual Performance Report where data presented was not consistent throughout the report.

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. More specifically, the OMB Circular A-133 requires that the non-Federal entity have controls in place "to provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements."

*Federal Award Information:* This finding affects CFDA 84.031 Higher Education Institutional Aid: Federal Award P031B070087-08 for the award period October 1, 2008-September 30, 2009; Federal Award P031B070087-09 for the award period October 1, 2009-September 30, 2010; Federal Award P031B085087-09 for the award period October 1, 2009-September 30, 2010; Federal award P031B070087-10 for the award period October 1, 2010-September 30, 2011.

**Recommendation:** The University should place greater emphasis on annual performance reporting. The University should strengthen internal controls to ensure the completeness and accuracy of these reports.

**University's Response:** The University agrees with the finding and recommendation. We will take the necessary steps to ensure greater emphasis on annual performance reporting. Additional procedures will be put in place to guarantee the completeness and accuracy of these reports. A corrective action plan has been outlined, which will be monitored as part of the University's annual internal auditing program.

## 2. INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT NEED IMPROVEMENT

For the Higher Education Institutional Aid program, the University did not have adequate controls to ensure compliance with procurement and suspension and debarment requirements. Thus, there is an increased risk of noncompliance with these laws and regulations.

University personnel did not fully understand State purchasing policies and procedures for sole source and competitive purchases. In addition, University personnel were not aware of Federal requirements for certifications related to lobbying activity and suspension and debarment. Seventeen out of 39 purchases tested did not have the proper documentation to support the purchase in accordance with State and Federal regulations.

The A-133 Compliance Supplement states: "States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations."

State purchasing policy requires all purchases that are expected to be over \$5,000 to be open to competition when selecting a vendor. The University can only waive competition for specific reasons detailed by State policy. When competition is waived, written justification must be maintained by the University.

OMB Circular A-110 requires that a certification regarding lobbying activities and a certification regarding suspension and debarment be collected from a vendor if the expected purchase will be greater than \$100,000.

*Federal Award Information:* This finding affects CFDA 84.031 Higher Education Institutional Aid: Federal Award P031B070087-08 for the award period October 1, 2008-September 30, 2009; Federal Award P031B070087-09 for the award period October 1, 2009-September 30, 2010; Federal Award P031B085087-09 for the award period October 1, 2009-September 30, 2010; Federal award P031B070087-10 for the award period October 1, 2010-September 30, 2011.

**Recommendation:** The University should strengthen internal controls to ensure that appropriate procurement and suspension and debarment policies are followed and relevant documentation is maintained.

**University's Response:** The University agrees with the finding and recommendation. Title III activity directors will adhere to the policies and procedures for purchasing as printed on the Business and Finance website. Additional training will be provided for the Title III activity directors on purchasing policies and procedures, including procurement and suspension and debarment requirements, to assure that they understand the processes. The corrective action plan for this finding will be monitored as part of the University's internal auditing program.