

**Constituent Universities**

Appalachian  
State University

East Carolina  
University

Elizabeth City  
State University

Fayetteville State  
University

North Carolina  
Agricultural and  
Technical State  
University

North Carolina  
Central University

North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

University of  
North Carolina  
School of the Arts

Western Carolina  
University

Winston-Salem  
State University

**Constituent High School**

North Carolina  
School of Science  
and Mathematics

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**S. Lynne Sanders, CPA**  
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April 6, 2015

Dear Carin,

We appreciate you and the staff at UNC School of the Arts (UNCSA) for arranging and adequately preparing for the UNC Compliance monitoring visit held on Tuesday, March 3, 2015. As you know, monitoring is a key component of the Compliance program and is designed to ascertain the campus's compliance with the Business Process standards as well as to serve as an opportunity to identify potential improvements that could be addressed from a system perspective. We had a very productive visit with UNCSA's staff responsible for the four business process areas. The staff was well prepared overall and did a good job presenting evidence of compliance with the standards being reviewed.

Three-Year Monitoring Cycle & Focused Reviews

Going forward, our plan is to conduct monitoring visits on a three-year cycle (approximately six campuses per year) to achieve monitoring efficiency and reward program compliance success. Exceptions to the three year monitoring cycle may be needed if circumstances significantly change related to changes in key management or business process personnel, results of internal or external audits report significant deficiencies and/or material weaknesses, KPI reporting shows significant concerns or other matters come to our attention that warrant further review. In addition, a campus may request a full monitoring visit to increase its monitoring compliance score for all of the business process areas.

Focused monitoring efforts will be conducted for campuses that are not slated for full monitoring visits so as to follow and support our risk based approach of monitoring to ensure compliance with the standards. For focused monitoring, business process leads will select specific areas for review. This will likely not result in an on-campus visit.

The scope of the monitoring review, as well as procedures performed and resulting summary, is outlined below.

### Scope of Monitoring Review

The scope of the visit included a review of a subset of the standards for General Accounting, Financial Aid, Student Accounts and Capital Assets. Documentation was reviewed from the time period July 1, 2013 – date of monitoring visit.

### Procedures Performed

For each business process areas, the Compliance process leads evaluated risks associated with the business process and defined review objectives for each sub-process area of the standards. Once the objective was defined, items on the compliance checklist were selected to support that objective. As a result, a Document Request List was completed and sent in advance of the on-site monitoring visit to allow the campus adequate time to gather information and submit requested documents prior to the start of the on-site monitoring visit.

During the on-site visit, the monitoring review team met with campus representatives from each process area and discussed the documentation they had provided to demonstrate compliance with the subset of standards.

### Monitoring Summary

We have included below the results of our review for each business process area. Where necessary, the campus response to the observations has been included depicting its plans for implementing improvements.

### General Accounting Summary

There were no observations to report for this process area.

### Financial Aid Summary

There were no observations to report for this process area.

### Capital Assets Summary

There were no observations to report for this process area.

## **Student Accounts Summary**

### **Observation:**

Polices are not clearly defined regarding Title IV authorizations and are misleading in that references are made to putting holds on students' accounts in order to collect an authorization while another section of the policy states authorizations are provided voluntarily. The Student Authorization only addressed prior year authorizations. The Parent PLUS Authorization did not include a prior year authorization and the wording references an authorization for 'current institutional charges' in error.

### **Recommended Action:**

1. UNCSA should update the Student Authorization form to provide a clearly defined option to use federal financial aid to pay for current year non-institutional allowable charges, as well as up to \$200 of prior year other allowable charges.
2. UNCSA should update the Parent PLUS loan authorization form to provide a clearly defined option to use excess PLUS loan funds to pay for current year non-institutional allowable charges, as well as up to \$200 of prior year other allowable charges.
3. UNCSA should review their policies for collecting authorizations and remove conflicting information. The use of holds is not recommended, as federal regulations state that students shall not be coerced into providing authorizations.

### **Observation:**

The following was provided to document reconciliation of financial aid funds on a monthly basis:

- a. Copies of emails that demonstrated agreement of totals for state grant disbursements between the Offices of Student Accounts and Financial Aid;
- b. Copy of a report that reconciled activity by detail code between financial aid and student accounts; and a
- c. Copy of a TGRRCON report dated 10-31-2014

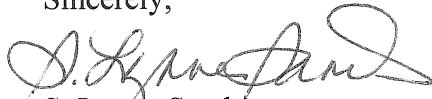
The variance identified on the report (item b) was not explained and there was no documentation regarding the resolution of the variance. TGRRCON is useful in identifying out of balances between amounts recorded in Banner Student A/R and amounts that are actually fed to ledger. The October report provided appears to reflect negative amounts, and the account referenced was identified as an unapplied payments account. There was no comprehensive report or reports provided that clearly demonstrated that financial aid funds were reconciled on a monthly basis. After follow up with the campus, additional documentation was provided but it still indicated reconciliation on a term and annual basis.

**Recommended Action:**

Student Accounts should review and update procedures regarding reconciling financial aid funds on a monthly basis.

So that we can finalize the monitoring visit, please review this monitoring summary with the appropriate staff and leadership on campus and provide any questions or feedback to me by April 20, 2015. Please feel free to contact me if you have any questions.

Sincerely,



S. Lynne Sanders