North Carolina Legislative Tuition Grant

Audit Compliance

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

Schedule of Funding

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Agency Contact Person

Information and interpretive advice on the NCLTG program is available to the CPA firm from the Authority by writing to or calling Grants, Training & Outreach, NCSEAA, PO Box 13663, Research Triangle Park, NC 27709-3663, telephone (919) 248-4650.

A copy of the independent audit report on the NCLTG program should be provided to the Authority by the institution as soon as possible after the end of the State’s fiscal year (June 30). Should the audit firm find significant exceptions for the program at the Approved Institution being audited, and the institution does not take immediate action to rectify these exceptions, the Authority may withhold funding for that program from that institution for the next academic term until such matters are resolved.

Unless the context clearly indicates some other meaning, capitalized words and phrases shall have the corresponding meaning as described in Section .0102 of the Rules Governing the North Carolina Legislative Tuition Grant Program (Program Rules).
I. BACKGROUND, PURPOSE, AND APPLICABILITY

The NCLTG program was created by the 1975 General Assembly of North Carolina to provide assistance to meet the cost of education to Eligible Students enrolled as Full-time and Part-time Students and Licensure Students enrolled as Full-time or Part-time Students at Approved Institutions (see G.S. 116-22(1) and Section 501c3 of the Internal Revenue Code).

The North Carolina State Education Assistance Authority (hereinafter, the Authority), has administrative responsibility for the NCLTG program as designated by Statute (see GS 116-19 through GS 116-22 and the 1997 Session Laws or any revision or extension thereof). The program is governed by the Program Rules, adopted in August 1975 (and subsequently amended and revised in 1984, 1985, 1987, 1994, 1995, 1999, 2006 and 2007) by the Board of Directors of the Authority. These Program Rules establish the definitions, terms of participation, eligibility procedures, method of payment, refund policy, residence requirements, and rules for program integrity. In order to participate in the program, each institution must enter into a Participation Agreement, executed jointly by the chief executive officer of the institution and the Authority. This Participation Agreement must be re-executed if the status of the institution changes, e.g., from two-year to four-year status.

An annual appropriation is made by the General Assembly to the Board of Governors for the NCLTG program. The Approved Institutions are notified by the Authority of the per term maximum award for each year. Each Approved Institution submits an invoice to the Authority each term on behalf of Eligible Students and Licensure Students enrolled as of October 1 for the fall term and as of the Approved Institution’s tenth classroom day for any subsequent School Term.

After all invoice forms and supporting rosters submitted by the Approved Institutions have been reviewed, the Authority determines if the appropriation is sufficient to pay the institutions the legislatively determined maximum award per eligible student. The Session Laws of the General Assembly in 1994 provided that the Board of Governors of The University of North Carolina, with the approval of the Office of State Budget and Management, may transfer funds not utilized by the SCSF program to cover any shortfall in the NCLTG program. In the event the appropriation still is not sufficient to pay institutions the maximum award per term, a pro-rata reduction may occur.

A pro-rata reduction may also occur for non-resident military students who jointly receive the NCLTG and any tuition assistance or veteran’s benefits. Any tuition assistance or veteran’s benefits must be credited to the student’s account first; then the NCLTG award is applied. The total award to non-resident military personnel may not exceed the cost of tuition at the Approved Institution (see G.S. 116-143.3). If the combination of the two grants exceeds the cost of tuition, the NCLTG award to the student must be prorated accordingly.

On the basis of the certified invoices and rosters submitted by Approved Institutions, the Authority shall disburse the aggregate amount of the NCLTG award by master check or by electronic funds transfer to a clearing account maintained by the Approved Institution. The Approved Institutions are required to credit the payments to the individual account of each eligible student and notify the student of the source of the NCLTG award within ten (10) business days.
II. MATRIX OF COMPLIANCE REQUIREMENTS

A. ACTIVITIES ALLOWED OR UNALLOWED

The Auditor is not expected to test for services allowed or disallowed. An administrative cost allowance is not provided for this program. All funding is to be applied to the student accounts.

B. CASH MANAGEMENT

The Session Laws of 1985 (and subsequent Session Laws) provided for management of the legislative appropriation for the program by the North Carolina State Education Assistance Authority. The amount of the NCLTG appropriation is determined on an annual basis by the North Carolina General Assembly and is divided among the Approved Institutions on the basis of invoices submitted on a per term basis. Any monies remaining in the account at June 30 of each year shall revert to the State Budget Office.

C. ELIGIBILITY

1. INSTITUTIONAL ELIGIBILITY - Defined in G.S. 116-22(1) and in Section 501c3 of the Internal Revenue Code.

2. STUDENT ELIGIBILITY - Defined in G.S. 116-22(2).

D. REPORTING

An Annual Report on the program is produced after June 30 each year. The report contains a reconciliation of all NCLTG awards made to the institutions and refunds received for the current academic year. It is available upon request to interested parties.

E. SUBSEQUENT MONITORING

Each institution participating in the NCLTG program that receives an award greater than $500,000 in total state funds is required to provide the Authority with a yellow book audit report conducted by their independent auditor. This audit should contain reference to all State-funded programs in which the Approved Institution participates as required by the A-133 directives. The amounts contained in this report should match those contained in the records of the Authority and any other state grantor. Once the Authority has reviewed the Approved Institution’s independent audit report, it will notify the Approved Institution if their audit report data is consistent with the NCLTG financial records at the Authority. If there are discrepancies in the audit report that the Authority and the Approved Institution have been unable to resolve or refunds that are due to the Authority for the program that has not been repaid, then the Authority shall withhold any future NCLTG payments until the matter has been resolved.

Institutions receiving less than $500,000 in total state funds are notified via mail that they do not have to provide the Authority with an independent audit report, but they must state in a letter the amount of NCLTG monies they received and the amount of any refunds they made to the program during the year in question. Any inconsistencies regarding NCLTG awards must be subsequently resolved with the institution or future NCLTG funding shall be withheld.
F. SPECIAL TESTS AND PROVISIONS.

1. COMPLIANCE REQUIREMENT - STUDENT ACCOUNTS

Upon receipt of NCLTG payments from the Authority, the Approved Institution shall credit the amount of each grant to the account of each individual student within ten (10) business days.

Suggested Audit Procedure (Local Auditor)

A sample of student account records in the Approved Institution’s business office should be reviewed to make certain that the accounts of all students certified as eligible on NCLTG rosters and forms have been credited with the correct NCLTG award amount within ten business days.

2. COMPLIANCE REQUIREMENT - PAYMENT ERRORS

If it is determined at any time that an Approved Institution has knowingly or through error certified an ineligible student to be eligible for a grant under the NCLTG program, or that the Authority has knowingly or through error made payments to an institution that were not lawfully due and payable to the institution, the amount of such payments must be immediately refunded to the Authority by the Approved Institution.

Suggested Audit Procedure (Local Auditor)

Review refund policy of the Approved Institution to make certain refunds are being submitted to the Authority in a timely and accurate manner.

Ascertain whether or not Approved Institutions are following refund procedure detailed in the Program Rules, section .0308.

Select a sample of accounts of students who have withdrawn from the Approved Institution to determine if a refund was due the Authority, and if so, was it made in a timely manner.

3. COMPLIANCE REQUIREMENT - MILITARY PERSONNEL

The NC General Assembly allows a non-resident member of the armed services stationed in NC to receive the NCLTG provided that the non-resident military person’s NCLTG award “does not exceed the cost of tuition less any tuition assistance paid by the member’s employee.” Legal counsel has interpreted this to mean that any tuition assistance programs and veteran’s benefits awarded must be applied to the student’s account prior to applying the NCLTG award. If the two awards combined exceed the student’s tuition, then the NCLTG award may be reduced (see section .020 the Program Rules).

Suggested Audit Procedure (Local Auditor)

Select a sample of students who are receiving the NCLTG award, not because North Carolina is their home of record, but because they are stationed as military personnel in North Carolina. Review the account records in the Approved Institution’s business office to make certain that any tuition assistance program and veteran’s benefits are applied first toward the payment of tuition and that the NCLTG award in combination with any tuition assistance program and veteran’s benefits does not exceed the student’s tuition cost at the Approved Institution.
III. COMPLIANCE REQUIREMENTS - GENERAL

A. COMPLIANCE REQUIREMENT - IN-STATE RESIDENCE

All NCLTG award recipients must be residents of North Carolina for purposes of tuition payment under the terms and conditions as described in *A Manual to Assist the Public Higher Education Institutions of North Carolina in the Matter of Student Residence Classification for Tuition Purposes* (current edition). Each Approved Institution should have on file a copy of the NCLTG Program Rules and the North Carolina Residence Manual. (The North Carolina Residence Manual has been provided to all private institutions in the State. The last revision occurred in September 1985. A copy of the current Residence Manual may be obtained by contacting the Program Manager at the Authority.)

Suggested Audit Procedure (Local Auditor)

Review a sample of NCLTG Applications regarding residency status. Rules of eligibility regarding residency are the same as those that govern residency at North Carolina's public institutions (see Residence Manual referenced above).

Review names of all students on rosters with out-of-state address to make certain that a reason for their inclusion is acceptable (e.g., 12 month grace period, parental military service, parental temporary assignment out of state, etc.)

B. COMPLIANCE REQUIREMENT - ENROLLMENT STATUS

The 2007 Session Laws provided NCLTG awards for both Eligible Students and Licensure Students enrolled as either a Full-time or Part-time Students.

Suggested Audit Procedure (Local Auditor)

Review a sample of NCLTG recipient Eligible Students and Licensure Students registration records to determine that the recipient was enrolled for a minimum of 12 credit hours for full-time status and at least 9-11 credit hours for part-time status as of October 1 for the fall term and as of the Approved Institution's Tenth Classroom Day.

If an Approved Institution has an automated system of registration, it should be examined to determine its accuracy.

C. COMPLIANCE REQUIREMENT - UNDERGRADUATE DEGREE STATUS

Eligible Students already possessing a bachelor’s degree are not eligible for Tuition Grants. Licensure Students possessing a bachelor’s degree are eligible for Tuition Grants for undergraduate courses that lead to licensure as a teacher or nurse. Eligible Students possessing one associate degree are not eligible for Tuition Grants if enrolled to obtain another associate degree. Eligible Students possessing an associate degree are not eligible for Tuition Grants for lower division coursework (e.g., freshman or sophomore) unless required by a senior Approved Institution as part of a transfer agreement to pursue a bachelor’s degree. Eligible Students who have completed 140 credit hours shall receive seventy-five percent (75% of the maximum Tuition Grant awarded to Full-time or Part-time Students). Also, NCLTG recipients may not be enrolled in a program of study for a degree in theology, divinity, or religious education or any other program of study that is designed by the institution primarily for career preparation in a religious vocation.
Suggested Audit Procedure (Local Auditor)

From a random sample of students classified as seniors at four-year institutions, determine that the number of hours completed does not qualify the students for a bachelor’s degree. From a random sampling of students at two-year institutions, determine that the number of hours completed does not qualify the students for more than one associate degree.

Determine from the institution's catalog the course requirements leading to a degree or career preparation in a religious vocation.

Obtain a list of students who are enrolled in a program of study the objective of which is the attainment of a degree in theology, divinity, or religious education or in any other program of study that is designed by the institution primarily for career preparation in a religious vocation and verify that they are not receiving an NCLTG award.

From a random sample of students, determine that the number of hours completed does not exceed the 140 Hour definition in the Program Rules, section 0102. (a).

D. COMPLIANCE REQUIREMENT - INSTITUTIONAL CERTIFICATION

An Approved Institution must certify to the Authority the enrollment eligibility of full-time and part-time students, as defined in the program regulations, of students receiving NCLTG awards.

Suggested Audit Procedure (Local Auditor)

Select a sample of students from invoices claiming NCLTG payments and examine the NCLTG application to determine that it is dated and signed by the student and by the authorized NCLTG official on or before the Certification Date. The Approved Institution may use a signature stamp, provided it is in the control of the authorized official at all times. The Approved Institution operating an automated system of student registration and residency evaluation may complete a SEAA Form 9/04 and maintain in the current year’s NCLTG files.

E. COMPLIANCE REQUIREMENT - SELECTIVE SERVICE REQUIREMENT

The 1989 General Assembly enacted legislation prohibiting receipt of any State-supported financial aid unless the student gives proof of Selective Service registration compliance to the educational institution he attends. An Approved Institution has the option of meeting this requirement through the Federal system of Selective Service verification, by obtaining documentation from the current NCLTG application, or by having the student complete the Statement of Selective Service Registration Compliance.

Suggested Audit Procedure (Local Auditor)

From a sample of NCLTG recipients, determine that proof of selected service registration has been provided.