



Program-Specific Audit Reports Under Uniform Guidance

for

**NORTH CAROLINA STATE  
EDUCATION ASSISTANCE  
AUTHORITY**

Period Ended October 31, 2023  
with Independent Auditor's Report

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## Independent Auditor's Report

The Officers and Directors  
North Carolina State Education Assistance Authority  
Raleigh, North Carolina

### Report on the Audit of the Schedule of Expenditures of Federal Awards

#### ***Opinion***

We have audited the schedule of expenditures of federal awards for the Federal Family Education Loan Program (FFELP, the Program) of the North Carolina State Education Assistance Authority (the Authority) for the period ended October 31, 2023, and the related notes (the Schedule).

In our opinion, the accompanying schedule presents fairly, in all material respects, the expenditures of federal awards for the Federal Family Education Loan Program of the Authority for the period ended October 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

***Auditor's Responsibilities for the Audit of the Schedule, continued***

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Dean Dotson Allen Ford, PLLC*

Raleigh, North Carolina  
March 22, 2024

**NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY**

Schedule of Expenditures of Federal Awards

Period ended October 31, 2023

Program Title	Federal Assistance Listing Number	Outstanding Balance at July 1, 2023
U.S. Department of Education - Direct Program:		
Federal Family Education Loan Program (Guaranty Agencies)	84.032G	
Balance of Loans Guaranteed for Years Ending June 30, 2010 and Prior:		
Insured Federal Stafford Loans Outstanding		\$335,467,075
Insured Consolidation Loans Outstanding		204,089,525
Insured Federal PLUS Loans Outstanding		22,284,215
Insured Federal SLS Loans Outstanding		<u>141,091</u>
Total Expenditures of Federal Awards		<u>\$561,981,906</u>

# NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

## Notes to the Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the North Carolina State Education Assistance Authority (the Authority) under the Federal Family Education Loan Program (FFELP) for the period ended October 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the net position, changes in net position, or cash flows of the Authority.

### 2. Federal Family Education Loan Program (FFELP)

Pursuant to certain amendments to the Higher Education Act of 1965, as amended, included in the Health Care and Education Reconciliation Act of 2010, all new federal student loans have been originated through the Federal Direct Loan Program since July 1, 2010. As a result, the Schedule reflects the balance of FFELP loans guaranteed by the Authority for the years ending June 30, 2010 and prior. Loans outstanding at the beginning of the period are included in the federal expenditures presented in the Schedule. The Authority ceased Guaranty Agency functions on October 31, 2023 and transferred these functions to Education Credit Management Corporation (ECMC). As a result, there were no FFELP loans guaranteed by the Authority after October 31, 2023. The balance of FFELP loan guarantees transferred to ECMC was \$519,669,251.

### 3. Indirect Cost Rate

The Authority has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### 4. Continuing Compliance Requirements

Guaranteed student loans impose no continuing compliance requirements other than to repay the loans.

**Independent Auditor's Report on Compliance for a Federal Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements**

The Officers and Directors  
North Carolina State Education Assistance Authority  
Raleigh, North Carolina

**Report on Compliance for the Federal Family Education Loan Program**

***Opinion on Compliance for the Federal Family Education Loan Program***

We have audited North Carolina State Education Assistance Authority's (the Authority) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its Federal Family Education Loan Program (FFELP, the Program) for the period ended October 31, 2023.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Program for the period ended October 31, 2023.

***Basis for Opinion on the Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Program.

**Report on Compliance for the Federal Family Education Loan Program, continued**

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



The Officers and Directors  
North Carolina State Education Assistance Authority  
Independent Auditor's Report on Compliance for a Federal Program and Report on Internal Control  
Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit  
Requirements, continued

### **Report 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 a 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 a 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dean Dotson Allen Ford, PLLC*

Raleigh, North Carolina  
March 22, 2024

**NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY**

Schedule of Findings and Questioned Costs

Period ended October 31, 2023

**I. SUMMARY OF AUDITOR'S RESULTS**

*Schedule of Expenditures of Federal Awards (the financial statement):*

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  No

Noncompliance material to the financial statement noted?  Yes  No

*Federal Award:*

Internal control over the Program:

- Material weakness(es) identified:  Yes  No
- Significant deficiency(ies) identified:  Yes  No

The type of auditor's report issued on compliance for the Program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):  Yes  No

Identification of major federal program:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.032G	Federal Family Education Loan Program (Guarantee Agencies)

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as a low-risk auditee:  Yes  No

**II. FINANCIAL STATEMENT FINDINGS**

No matters reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters reported.