

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
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<http://www.ncauditor.net>

April 10, 2018

D. Ward Russell, Chairman
Compliance, Audit, Risk Management, and Legal Affairs Committee
The University of North Carolina at Greensboro
[REDACTED]

Dear Mr. Russell:

We have completed our federal compliance audit at The University of North Carolina at Greensboro for the year ended June 30, 2017, and have issued our report thereon dated March 19, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Auditor's Responsibility

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion as to whether the State has complied, in all material respects, with the compliance requirements that have a direct and material effect on major federal programs. Our audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about our audit objectives. An audit of compliance includes consideration of internal control over compliance as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, as part of our audit, we considered the internal control of The University of North Carolina at Greensboro solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the compliance process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or any instances of noncompliance or other matters that

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Compliance, Audit, Risk Management, and Legal Affairs Committee
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are required to be reported under *Government Auditing Standards*. However, material weaknesses may exist that have not been identified.

Compliance with Independence Requirements

We have complied with all relevant independence requirements.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a compliance, accounting, reporting, or auditing matter that could be significant to the federal programs or the auditor's report. No such disagreement arose during the course of the audit.

Representations Requested from Management

We have requested certain representations from management that are included in the attached management representation letter dated November 29, 2017 and updated as of March 19, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing, accounting, or compliance matters. To our knowledge, there were no such consultations with other accountants.

Other Matters

This information is intended solely for the use of The University of North Carolina at Greensboro Board of Trustees, The Compliance, Audit, Risk Management, and Legal Affairs Committee of The University of North Carolina at Greensboro Board of Trustees, and management of The University of North Carolina at Greensboro and is not intended to be and should not be used by anyone other than those specified parties. If you have any questions about these matters, please contact the Financial Audit Director at (919) 807-7563.

Sincerely,

BETH A. WOOD, CPA
STATE AUDITOR



Katie G. Gleason, CPA
Financial Audit Director

cc: Dr. Franklin D. Gilliam, Jr., Chancellor
Charles Maimone, Vice Chancellor for Business Affairs
Dr. Bryan Terry, Vice Chancellor for Enrollment Management
Deborah Tollefson, Director of Financial Aid
W. Bradley Hayes, Chairman, Board of Trustees

BAW/KGG:ae

Attachments



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ATTACHMENT

Office of the Chancellor

November 29, 2017

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

Dear Auditor Wood:

We are providing this letter in connection with your audit of the basic financial statements of The University of North Carolina at Greensboro as of June 30, 2017, and for the year then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position of The University of North Carolina at Greensboro and the results of its operations and, where applicable, cash flows in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of The University of North Carolina at Greensboro's basic financial statements in conformity with the aforementioned accounting principles.

We are also providing this letter in connection with your audit of the major federal programs of the State of North Carolina for the year ended June 30, 2017 in accordance with 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). We confirm that we are responsible for complying with the requirements of the Uniform Guidance and laws, regulations, and provisions of contracts and grant agreements related to each of our federal programs.

Along with the Office of the State Controller, we are responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation and fair presentation of the basic financial statements of The University of North Carolina at Greensboro in conformity with accounting principles generally accepted in the United States of America.



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2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatements, whether due to fraud or error.
3. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation, and other matters.
 - b. Access to all information, of which we are aware that is relevant to compliance with requirements that have a direct and material effect on major federal programs, such as records; documentation; audit or relevant monitoring reports, if any, received from funding sources; and other matters.
 - c. Additional information that you have requested from us for purposes of the audit, including minutes of meetings of The University of North Carolina at Greensboro Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
4. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, nor are we aware of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects we should have considered when preparing the basic financial statements.
5. All transactions have been properly recorded in the accounting records underlying the basic financial statements and supplementary information.
6. We are in agreement with the changes to the notes to the financial statements and cash flow statement changes you have recommended, and they have been adjusted.
7. We have disclosed to you any risks that we have identified that the basic financial statements may be materially misstated as a result of fraud.
8. We acknowledge our responsibility for the design, implementation, and maintenance of programs and internal controls to prevent and detect fraud.
9. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.





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10. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's basic financial statements received in communications from employees, former employees, analysts, governmental agencies, regulators, or others.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following have been properly recorded or disclosed in the basic financial statements:
 - a. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which The University of North Carolina at Greensboro is contingently liable.
 - c. All accounting estimates that could be material to the basic financial statements. We believe the estimates and the key factors and assumptions underlying those estimates, including those measured at fair value, are reasonable in the circumstances.
13. We are responsible for compliance with all laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of basic financial statement amounts.
14. There are no:
 - a. Violations or possible violations of laws, regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Items of which we are aware involving pending or threatened litigation, claims, or assessments or unasserted claims or assessments whose effects we should have considered when preparing the basic financial statements, or that are required to be disclosed in the basic financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted legal counsel concerning litigation, claims, or assessments.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.



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16. The University of North Carolina at Greensboro or the State of North Carolina has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the date of the basic financial statements and through the date of this letter that would require adjustment to or disclosure in the aforementioned basic financial statements or in the supplementary information.
18. With respect to the basic financial statements:
 - a. All component units, joint ventures, and/or related organizations are properly reported/disclosed.
 - b. All funds and activities are properly classified.
 - c. All funds that meet the GASB criteria for major funds are properly reported as major funds.
 - d. Equity accounts are properly classified.
 - e. Investments are properly valued.
 - f. Provisions for uncollectible receivables have been properly identified and recorded.
 - g. Expenses have been appropriately classified and allocated.
 - h. Revenues are appropriately classified.
 - i. Interfund, internal, and intra-equity activity and balances have been appropriately classified and reported.
 - j. Capital assets are properly capitalized, reported, and if applicable, depreciated.
19. With respect to information required by the Governmental Accounting Standards Board (GASB) to be presented with the basic financial statements (required supplementary information or RSI, including Management's Discussion and Analysis):
 - a. We acknowledge our responsibility for the RSI.
 - b. RSI is presented and measured according to authoritative guidelines on a basis consistent with that of the prior year.
 - c. RSI is consistent with the basic financial statements.





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- d. We have disclosed any significant assumptions or interpretations underlying the measurement or presentation of the RSI.
- e. Management's discussion and analysis (MD&A) is based on facts, decisions, or conditions currently known to management and does not contain forecasts or other prospective information.

20. With respect to the schedule of expenditures of federal awards:

- a. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with Uniform Guidance.
- b. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Uniform Guidance.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. Based on our interpretation of Uniform Guidance, we believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for the assumptions and interpretations, as described in the notes to the schedule in the State's *Single Audit Report*, are reasonable and appropriate in the circumstances.
- e. We have, in accordance with Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- f. If we are asked to provide the schedule of expenditures of federal awards to any party, we will provide the schedule as presented in the State's *Single Audit Report* and will also include the auditor's report thereon if we indicate that the auditor has reported on the schedule. We will also make the State's audited basic financial statements (*Comprehensive Annual Financial Report*) readily available to the requesting party at the same time the schedule of expenditures of federal awards is provided.

21. With respect to federal financial award programs:

- a. We are responsible for understanding and have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *Single Audit Act*, *Uniform Guidance*, and provisions of contracts and grant agreements relating to federal awards.



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- b. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- c. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- d. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- e. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- f. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews and corrective actions taken. This representation covers the period of the compliance audit and during the subsequent period through the date of the auditor's report.
- g. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with the guidelines in the Uniform Guidance. Unless otherwise disclosed herein, matching contributions were from non-federal sources and did not involve federal funding and amounts used to meet matching obligations in one federal program were not in turn used to meet matching obligations in a different federal program.
- h. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- i. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

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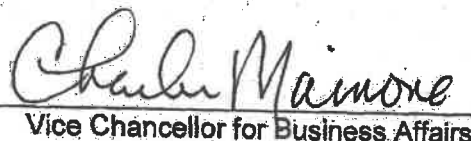


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- j. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
 - k. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - l. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - m. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
 - n. We are responsible for preparing and implementing a corrective action plan for each audit finding.
 - o. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
22. To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the date of the basic financial statements and through the date of this letter that would require adjustment to or disclosure in the aforementioned basic financial statements as pertains to The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated; The University of North Carolina at Greensboro Weatherspoon Arts Foundation; The UNCG Excellence Foundation, Inc.; The University of North Carolina at Greensboro Investment Fund, Inc.; and the Capital Facilities Foundation, the University's blended component units.


Chancellor


Vice Chancellor for Business Affairs



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THE UNIVERSITY of NORTH CAROLINA
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March 19, 2018

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

Dear Auditor Wood:

In connection with your audit of the major federal programs of the State of North Carolina for the year ended June 30, 2017 in accordance with 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), you were previously provided with a representation letter dated November 29, 2017. No information has come to our attention that would cause us to believe that any of the previous representations should be modified.


Chancellor


Vice Chancellor for Business Affairs



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