

Office of the State Auditor



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State Auditor

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[Date]

Dr. Stanley F. Battle, Chancellor
North Carolina Agricultural and Technical State University
Greensboro, North Carolina Courier #02-12-11

Dear Dr. Battle:

The purpose of this engagement letter is to provide you with notification of our financial audit plans at the North Carolina Agricultural and Technical State University for the fiscal year ending June 30, 2008. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and regulations issued by the federal Office of Management and Budget (OMB).

Audit Objectives and Reporting

Our financial audit plans at the University for the fiscal year ending June 30, 2008, include the following:

- We will audit the University's basic financial statements. Our objective and responsibility is to express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- We intend to make reference to the report of another auditor as a basis, in part, for our opinion on the basic financial statements. If we determine that for any reason we will not be able to rely on the other auditor's report in forming our opinion or if the other auditor's report is not available within a reasonable amount of time after we are ready to issue our report, the portion of the reporting entity covered by the other auditor's report may have to be omitted from the financial statements and our opinion on the financial statements qualified. Alternatively, we may decide that it is appropriate to include the portion of the reporting entity covered by the other auditor's report in the financial statements and disclaim an opinion on that portion of the statements
- We will apply certain limited procedures to required supplementary information, which will consist principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. We will disclaim an opinion on this information in our auditor's report;
- We will audit matters related to federal financial assistance programs (Student Financial Assistance Cluster) for the purpose of complying with the audit requirements of the Single Audit Act and OMB Circular A-133;

- We will audit other financial matters not related to the objectives described above if determined necessary during the course of our audit.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will obtain an understanding of internal control over financial reporting and may perform tests of internal control effectiveness. We will also perform tests of compliance with laws and regulations and the provisions of contracts and grant agreements that we consider to have a direct and material effect on the determination of financial statement amounts. Our audit procedures will be less in scope than would be necessary to render an opinion on either internal control or compliance and, accordingly, we will not provide such opinions. However, in accordance with *Government Auditing Standards*, we will issue a report on internal control and compliance that contains all deficiencies in internal control and instances of noncompliance that come to our attention during the audit and are required to be reported by *Government Auditing Standards*.

The Single Audit Act and OMB Circular A-133 include specific audit requirements in the areas of compliance with laws and regulations and internal control over the administration of major federal programs. These requirements exceed the minimum requirements of generally accepted auditing standards and *Government Auditing Standards*. Accordingly, we will issue a report on internal control related to major programs and an opinion on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program. The report will also contain all instances of noncompliance and deficiencies in internal control that come to our attention during the audit and are required to be reported by the Single Audit Act and OMB Circular A-133

At the conclusion of our fieldwork, we will offer to hold an exit conference with you to discuss the results of the audit. We will also provide you a management letter detailing those results. As required by the aforementioned auditing standards, we will inform you of any fraud, instances of noncompliance or deficiencies in internal control that come to our attention. Our audit findings, and your responses thereto, will be published in a report for your agency and may be included in the statewide *Single Audit Report*.

The Office of the State Auditor uses the Internet as its primary distribution system for audit reports. Anyone interested in receiving our final report should register with our Electronic Publication System (EPS) at www.ncauditor.net. Those who register will receive an email notification and a link to the report as soon as it is posted on our web site. A limited number of printed copies will be sent to you, but these will not be mailed until after the web posting.

Responsibilities of Those Charged With Governance and Management

Our audit does not relieve those charged with governance or management of the North Carolina Agricultural and Technical State University of their responsibilities. Those charged with governance are responsible for overseeing the strategic direction of the University and its obligations related to accountability, including financial reporting and compliance with laws and regulations.

Management is responsible for the accuracy and completeness of all information related to our audit objectives and for making all financial records and related information available to us in a medium we prescribe. This responsibility includes the maintenance of adequate records and related internal control policies and procedures, the selection and application of accounting principles, the safeguarding of assets and compliance with laws and regulations. We will advise you about appropriate accounting principles and their application as well as adherence to

compliance requirements; however, your primary source for such information should be the Office of the State Controller and applicable grantor agencies.

Further, you are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud involving (a) management, (b) employees who have significant roles in internal control and (c) others where the fraud could have an impact on the financial statements or federal programs. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud received in communications from employees, former employees, analysts, regulators or others.

As required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan

Management is responsible for preparing the financial statements. You will be required to review and approve any adjustments that we may propose as a result of our audit and you must be in a position in fact and appearance to make an informed judgment on the financial statements. We will update the financial statements for all adjustments that you approve, but you will be required to assume responsibility for the final financial statements.

At the conclusion of the engagement, you will be required to provide to us a letter that confirms certain representations made during the audit. You will also be responsible for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Audit Procedures

An audit includes examining, on a test basis, evidence supporting management's assertions regarding financial information and compliance with laws and regulations. We will plan and perform the audit to obtain reasonable rather than absolute assurance about the audit objectives. An audit conducted in accordance with the aforementioned standards is subject to certain limitations and the risk that errors, fraud or illegal acts may exist and not be detected by us. Also, an audit is not designed to detect an immaterial error, fraud or illegal act.

Our audit will include such tests of the accounting records and other auditing procedures we consider necessary in the circumstances. Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of certain assets and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, legal counsel and banks.

Audit Administration and Fees

We understand that appropriate personnel will be available to assist us in gaining an understanding of the University's internal control and in the performance of certain clerical functions, such as retrieving and filing documents selected for testing. We also understand that you will provide adequate working space for our staff during the engagement. This environment should include a means for allowing auditors to connect electronically to our office's LAN. The preferred method is via a direct connection through your department's LAN. Otherwise, a dedicated telephone line is required. Our MIS staff is available for consultation, if needed. Please call Dr. Lenny Superville at (919) 807-7500 should you require assistance.

CEO's Name, Title

date

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The audit documentation for this engagement is the property of the Office of the State Auditor and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal, state or other agencies with legal oversight authority or to other auditors. If requested, access to such audit documentation will be provided under our supervision. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. The parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The Office of the State Auditor is funded by both General Fund appropriations and receipts for certain auditing services. We will bill you for the actual costs of the audit effort necessary to meet the requirements of the Single Audit Act, including the federal proportionate share of the cost of auditing the State's *CAFR*

Other

These arrangements only cover the currently scheduled financial audit activity for your agency. In the event that other audit responsibilities, such as information systems audits, performance audits, hotline investigations or additional financial audits are deemed necessary, you will be notified via separate communication.

We expect to begin our audit fieldwork on approximately May 7, 2008 and release our report on your agency by approximately January 31, 2009. However, circumstances may arise that cause us to alter our planned schedule. Prior to beginning the fieldwork, we will contact your chief financial officer to make final arrangements for our audit.

We look forward to working with you and your staff to complete our statutory obligations in an effective and efficient fashion. If the foregoing is in accordance with your understanding, please sign this letter in the space provided to indicate your agreement with the arrangements and return it to at your earliest convenience. Please let us know should you have any questions or comments. Thank you for your continuing cooperation.

Sincerely,

LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR

Carol L. Smith, CPA
Audit Manager

cc: Robert Pompey Jr., Vice Chancellor for Business and Finance
Velma Speight-Buford, Chairperson, Board of Trustees
Spence H. Broadhurst, Audit Committee Chair

RESPONSE:

CEO's Name, Title

date

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This letter correctly sets forth the understanding of the North Carolina Agricultural and Technical State University regarding the financial audit activities currently scheduled by the Office of the State Auditor for the fiscal year ending June 30, 2008.

By: _____

Title: _____

Date: _____