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**AMERICAN BAPTIST COLLEGE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**JUNE 30, 2018**



AMERICAN BAPTIST COLLEGE

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Trustees of  
American Baptist College  
Nashville, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited *American Baptist College's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *American Baptist College's* major federal programs for the year ended June 30, 2018. *American Baptist College's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of *American Baptist College's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *American Baptist College's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of *American Baptist College's* compliance.

### **Opinion on Each Major Federal Program**

In our opinion, *American Baptist College* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2018-001 and 2018-002]. Our opinion on each major federal program is not modified with respect to these matters.

American Baptist College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Baptist College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of *American Baptist College* is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered *American Baptist College's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *American Baptist College's* 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 combination of deficiencies, in internal control over compliance, such that there is 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.

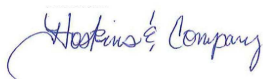
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questions costs that we consider to be significant deficiencies [2018-001 and 2018-002].

American Baptist College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Baptist College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of American Baptist College as of and for the year ended June 30, 2018, and have issued our report thereon dated January 17, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Hoskins & Company  
Nashville, TN  
January 17, 2019

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Beginning Accrued / (Deferred)	Net Cash Receipts	Disbursement Expenditures	Ending Accrued / (Deferred)
Student Financial Aid Cluster					
U.S. Department of Education Student Financial Aid:					
Federal Supplemental Educational Opportunity Grant	84.007	-	4,564	(4,564)	-
Federal College Work Study	84.033	(1,850)	6,741	(6,741)	(1,850)
Federal Pell Grant	84.063	-	422,758	(423,165)	(407)
Federal Direct Student Loans	84.268	<u>15,713</u>	<u>953,184</u>	<u>(972,641)</u>	<u>(3,744)</u>
Total Student Financial Aid		<u>13,863</u>	<u>1,387,247</u>	<u>(1,407,111)</u>	<u>(6,001)</u>
Other Grants					
Title III Part B HBCU	84.031B	1,116,803	1,629,829	(1,500,819)	1,245,813
Title III Part F SAFRA	84.031B	<u>(91,968)</u>	<u>540,241</u>	<u>(396,844)</u>	<u>51,429</u>
		<u>1,024,835</u>	<u>2,170,070</u>	<u>(1,897,663)</u>	<u>1,297,242</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$ 1,038,698</b></u>	<u><b>\$ 3,557,317</b></u>	<u><b>\$ (3,304,774)</b></u>	<u><b>\$ 1,291,241</b></u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1---SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

American Baptist College (the "College") was founded in 1924. In 1971, the College became an accredited four-year undergraduate bible college. The College is an accredited member of the Commission on Accreditation of the Association for Biblical Higher Education (ABHE); approved to award the Associate of Arts, Bachelor of Arts, and Bachelor of Theology degrees.

The mission statement of the College is to educate, graduate and prepare a predominantly African American student population for leadership, service and social justice in the world. The school offers a quality educational program with a liberal arts emphasis, equipping diverse students intellectually, morally, spiritually, socially, and theologically. The College offers undergraduate and graduate degree programs at its Nashville, Tennessee campus and globally on-line. Its fields of study include a mandatory divisional major in Biblical-Theological Studies and additional majors in Pastoral Studies, Christian Education or Social Sciences.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant expenditure activity of the College for the year ended June 30, 2018, and is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Uniform Guidance Audits of State local governments and non-profit entities, some amounts presented in this schedule may differ.

**NOTE 2---FEDERAL DIRECT LOAN PROGRAM**

During the year ended June 30, 2018, the College processed \$972,641 of new loans under the Federal Direct Loan Program, CFDA Number 84.268.

**NOTE 3---DE MINIMIS ELECTION**

The College did not elect to utilize the 10% De Minimis election in the fiscal year June 30, 2018.

**NOTE 4---SUBSEQUENT EVENTS**

The College has evaluated subsequent events as of January 17, 2019; the date management evaluated such events that require disclosures. January 17, 2019, is the date the Schedule was available to be issued.

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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***SECTION I—Summary of Independent Auditors' Results***

Financial Statements

**Type of auditors' report issued:** [Unmodified]

**Internal control over financial reporting:**

·Material weaknesses identified?	No
·Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

**Internal control over major programs:**

·Material weaknesses identified?	No
·Significant deficiencies identified that are not considered to be material weaknesses?	Yes

Type of auditors' report issued on compliance for major program: [Unmodified]

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 (a) of Uniform Guidance?	Yes
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**Identification of major programs:**

CFDA NUMBER	NAME OF FEDERAL PROGRAM	AMOUNT EXPENDED
84.007	Federal Supplemental Educational Opportunity Grant	\$ 4,564
84.033	Federal College Work Study	6,741
84.063	Federal Pell Grant	423,165
84.268	Federal Direct Student Loans	972,641
84.031B	Title III Part B HBCU	1,500,819
84.031B	Title III Part F SAFRA	396,844

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as a low-risk auditee?	Yes
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**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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***SECTION II—Findings Related to the Financial Statements Audited in Accordance with Government Auditing Standards***

**A. CURRENT YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None reported for the year ended June 30, 2018

***SECTION III – Findings and Questioned Costs for Federal Awards***

**B. CURRENT AUDIT COMPLIANCE FINDINGS –**

**U.S. Department of Education**

Program Name: Student Financial Aid Cluster

CFDA # 84.268 and 84.063

**Finding: 2018-001**

Significant Deficiency

Compliance Requirement: Eligibility

*Criteria:* In accordance with 34 CFR 668.32 for a student to be eligible for Title IV funds, the student must maintain satisfactory academic progress in his or her course of study according to the institution's published standards of satisfactory academic progress (SAP) that meet the requirements of 34 CFR 668.34. A student may however submit a written appeal on the basis of an extenuating circumstance. Extenuating circumstances are situations beyond the student's control that may have contributed to the non-compliance with the SAP policy. All extenuating circumstances must be well documented and verifiable.

*Condition:* Four applicants received assistance although they did not meet a satisfactory academic progress requirements

Questioned Costs: \$34,710. This amount was determined by totaling all the aid received by the four applicants who were not eligible.

*Context:* Of the 118 student files, we examined 62 and four applicants received assistance for which they were not eligible.

*Effect:* Student Financial Aid awarded to ineligible applicants.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2017-002

*Cause:* Not adhering to the College's policies and procedures in place to ascertain a student's eligibility for receiving various types of federal aid.

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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***SECTION III – Findings and Questioned Costs for Federal Awards (Continued)***

*Recommendation:* The College should properly follow compliance requirements and its policies

*Management Response*

- *American Baptist College is in agreement with this finding.*
- *ABC has terminated its contractual relationship with its former financial aid processor and retained a new external financial aid processor to assist with the financial aid awarding process beginning with the 2018 fall semester. The procedures will include a pre-distribution verification that eligibility requirements have been met.*

**U.S. Department of Education**

Program Name: Federal Direct Student Loans  
CFDA # 84.268

**Finding: 2018-002**

Significant Deficiency

Compliance Requirement: Cash Management

*Criteria:* In accordance with 34 CFR 668.164(a) the student financial aid handbook, the requirement applicable in this case is, a title IV credit balance must be paid directly to the student or parent as soon as possible, but no later than -

(i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

*Condition:* Two students received refunds later than the 14-day requirement.

Questioned Costs: Unknown

*Context:* Of the 118 students files, we examined 62 and determined that refunds due to two students were not in compliance

*Effect:* Non-compliance with requirements concerning timing of disbursement of funds resulted in two students receiving refunds later than required.

*Cause:* The College did not monitor adherence to requirements, policies and procedures surrounding timely disbursements of credit balances on student accounts.

*Recommendation:* Checks and balances should be implemented to trigger the issuance of a refund once funds are posted to student accounts that create credit balances

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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***SECTION III – Findings and Questioned Costs for Federal Awards (Continued)***

*Management Response*

- American Baptist College is in agreement with this finding as it relates to Student 1.
- ABC acknowledges that this student's financial aid refund was provided to her outside of the range of 14 days based on the COD date. During this time period, all of our financial aid processing was being done on a manual basis. After we posted each award category, accounts with credit balances had to be brought to zero balances by posting a debit for said amounts. It appears that the failure to issue a refund to this student within the required time period was merely a clerical oversight attributable to the manual processing of all financial aid accounts.
- **Pertaining to Student 2, ABC submits the following:**
- The college was not notified by its external financial aid processor that Student 2 had been awarded financial aid prior to receiving an inquiry from the student on March 6, 2018. The college was able to confirm that the student had in fact been awarded financial aid. The award was posted to the student's account using the date appearing in COD (though the college was not notified on that date). The actual date that the award was posted was March 6, 2018. The student was issued a refund check on March 7, 2018 (well within the 14 day requirement).
- Financial aid for the college's student population is now being processed electronically (as of the Fall 2018 semester). We have secured the services of a new vendor (Fully Disbursed, Inc.). Once they have done disbursements, the business office receives a "Transfer Batch" electronically, which is then distributed to the accounts. At such time a comparison is made with the totals from the batch to the amounts available for draw down in the G-5 system.

***PRIOR YEAR – Status of Prior Audit Findings and Questioned Costs***

Item#	Description of Condition	Status of Corrective Action
2017-001	Compliance for NSLDS filing	This finding has been resolved in 2018
Item#	Description of Condition	Status of Corrective Action
2017-002	Compliance for Academic Progress	This finding was not resolved in 2018