



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

August 26, 2008

Mr. George D. Regan, Chairman
Robeson Community College
Board of Directors
5160 Fayetteville Road
Lumberton, North Carolina 28359

Dear Chairman Regan:

We received a complaint through the *State Auditor's Hotline* concerning the operations of Robeson Community College (RCC). Pursuant to North Carolina General Statute §147-64.6, our investigation of this matter resulted in the following findings and recommendations.

1. Questionable Value of RCC Aviation Courses

A set of aviation courses offered at RCC has experienced a very limited degree of success. The results of the program have been minimal when weighed against the associated costs, high withdrawal rate, and low enrollment.

Correspondence from the RCC's president to the auditor's office, stated that, "*Before the local Board of Trustees approved the adding of this option [flight training programs], they were informed that the staff anticipated very little, if any costs to add this option to its offerings. The reasons for this were simple—there were no full-time instructors to employ, no equipment to buy, and no buildings to construct/renovate.*" Contrary to this projection, the actual costs incurred by RCC as a result of adding the aviation courses were in excess of \$300,000 for the period July 2005 through January 2008.

Enrollment in all aviation course offerings consisted of only 28 students over three academic years (six semester equivalent). As of May 2008, no students have completed all eight courses comprising the aviation curriculum. Additionally, nine students have either withdrawn from, or simply did not pass, the course(s) in which they were enrolled. Also worth noting is the fact that only four students were enrolled in aviation courses during the Spring, 2008 semester. The aviation course student enrollment table on page two shows the number of new and continuing students in the curriculum for each semester since the courses became available. The data clearly indicates a lack of interest in aviation course offerings and once again brings into question the use of taxpayer resources for this type of curriculum at RCC.

Table 1 Student Enrollment by Semester for RCC Aviation Classes (Fall, 2005 – Spring, 2008)							
Enrollment Status	Fall 2005	Spring 2006	Fall 2006	Spring 2007	Fall 2007	Spring 2008	Total Enrollment for all Classes
New Students	8	1	12	1	5	1	28
Continuing Students		2	1	6	4	3	
Total Enrollment	8	3	13	7	9	4	

Source: Robeson Community College

According to RCC staff, the struggling condition of the aviation program has prompted RCC’s president to threaten termination of admissions personnel unless 15 or more new students are enrolled in aviation courses for the Fall, 2008 semester.

Recommendation

The Board of Trustees should evaluate the aviation curriculum at RCC in light of the demonstrated lack of interest at this location.

2. Unauthorized Contract

RCC entered into a contract with the University of North Dakota’s Aerospace Foundation (UNDAF) without obtaining approval from the president of the North Carolina Community College’s System (NCCCS”) as stated in the North Carolina Administrative Code and the NCCCS procedures. North Carolina Administrative Code 23NCAC 02E.0602 states in part that, *“Any curriculum instructional program or course intended to be offered by contract must be submitted to the System President for approval.”* Additionally, the System’s Curriculum Procedures state that, *“If the college plans to offer a curriculum program which is conducted on a contractual basis where State or Federal funds are disbursed to pay instructional costs, copies of the contract must be submitted to the System Office for review and approval by the System President.”*

The NCCCS Office arrived at a similar conclusion after an audit was conducted in 2007, that RCC did not obtain the necessary approval for this same contract with the UNDAF. The State Board of Community Colleges determined the lack of approval was a violation of its own regulations as well as those contained in the North Carolina Administrative Code. As a result, RCC was directed to remit \$65,000 to NCCCS for a program audit exception related to the aviation courses. RCC complied with this directive.

Other operating expenditures under this same unauthorized contract totaled \$254,081. Of this total, \$41,487 was directly related to advertising and \$143,096 was used to comply with the aviation contract terms for non-flight related expenses with UNDAF. These funds were not included in the System's directive to remit \$65,000.

Recommendation

RCC should ensure that all contracts undergo proper review and approval.

3. Excessive Expenditures by RCC's President

The current president of RCC spent \$17,000 to purchase new furniture, an executive chair, guest chairs, accent rugs, pictures, lamps, and custom silk floral arrangements. The purchases were made in 2004 from an interior decorating company in South Carolina without obtaining quotes from companies that have term contracts with the State of North Carolina. Current and former staff stated that the president's office furniture in place prior to this purchase was in excellent condition.

These purchases were made with State funds that had been provided to RCC for the educational needs of Robeson County and its region. A comparison of this \$17,000 outlay on office furnishings with Robeson County's annual median household income of \$27,241 (2004) puts this expenditure in its proper perspective. Stated differently, the expenditure may be considered excessive.

Recommendation

Purchases should always comply with North Carolina General Statute 115D-58.14. Purchases should be necessary and quotes should be obtained, especially if the companies being considered are not on statewide term contracts. Subsequent to a review of quoted prices, any purchase should be made from the vendor providing the lowest cost or, if made on a basis other than lowest cost, then documentation should be available describing the reason(s) for the deviation from this procedure.

4. Catering Vendor, Also an Employee, Received Different Payment Terms

RCC uses caterers to provide food services for various events. It has been determined that an employee of RCC also operates a catering business and has provided the food service for several RCC events. On at least three occasions where the RCC employee provided catering services, the president sent a special memorandum to the business officer to pay the employee/vendor either 25% or 50% of the catering cost prior to the service being provided. According to the Purchasing Officer, the practice for vendor payments is for RCC to remit payment only after a service has been performed. RCC does not, however, have written procedures governing payments to vendors.

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It is interesting to note that we reviewed five other files on vendors providing catering services to RCC and that none had received payments prior to the completion of the agreed-upon services. Lastly, there was no documentation to indicate the existence of any quotes for catering services provided by the employee/vendor as encouraged by RCC purchasing guidelines.

Recommendation

Written vendor payment procedures should be developed, implemented, and communicated to all staff members involved in vendor payment operations. The practice of making payments to vendors prior to the completion of all agreed-upon services should be reviewed and RCC purchasing guidelines should be followed.

Please provide your written response to these findings and recommendations, including corrective actions taken or planned to be taken, by September 9, 2008. In accordance with General Statute §147-64.6, the Governor, the Attorney General, and other appropriate officials, will receive a copy of this management letter. If you have any questions or wish to discuss this matter further, please contact us. We appreciate the cooperation received from the employees of Robeson Community College during the course of our review.

Sincerely,



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

Management letters and responses receive the same distribution as audit reports.

Auditor's Note

The Office of the State Auditor respectfully disagrees with some points stated in the Robeson Community College's response. We offer clarification on the following points:

The financial audits referred to in the response to the finding entitled **Unauthorized Contract** were audits of the College's financial statements. The scope of a financial statement audit does not necessarily include determining whether the College obtained the required approval for classes added to its curriculum. Therefore, the absence of past findings related to this matter is irrelevant. With respect to the findings of this investigation, it must be noted that while the response asserts documentation was submitted for approval, it stops short of asserting that the contract or agreement was approved. It is the understanding of the Office of the State Auditor that to this day, the aviation contract, agreement, or arrangement however construed, has not been approved by the North Carolina Community College System.

Under item 3 entitled **Excessive Expenditures by RCC's President**; the College's response asserts that quotes for these purchases were documented on the College's purchase orders. The eight purchase orders for these expenditures provided to the auditors for review did not display quotes obtained from other companies.

The financial audits referred to in the response to the finding entitled **Excessive Expenditures by RCC's President** were audits of the College's financial statements. The scope of a financial statement audit does not necessarily include determining whether the College complied with state purchasing guidelines. Therefore, the absence of past audit findings related to this matter is irrelevant.

Board of Trustees

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September 8, 2008

Mr. Leslie W. Merritt, Jr.
State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Mr. Merritt:

The Robeson Community College Board of Trustees has reviewed the findings and recommendations contained in your letter of August 26, 2008, resulting from your investigation related to calls reportedly made to the *State Auditor's Hotline* concerning operations at Robeson Community College. The following responses are hereby submitted in accordance with your request:

1. Questionable Value of RCC Aviation Courses

Recommendation: The Board of Trustees should evaluate the aviation curriculum at RCC in light of the demonstrated lack of interest at this location.

Response: As your letter referenced, RCC does offer several aviation classes as electives in its Associate of Arts University transfer program. The aviation electives were added to this program of study at the request of the North Carolina Department of Transportation, Division of Aviation based upon projected labor market needs in commercial aviation. In fact, the two different state agencies (NC DOT Division of Aviation and the NC Community College System Office) worked with the College to add these electives to the A.A. degree transfer program in order to provide the state a new model for offering commercial aviation education to meet the future needs of aerospace firms like those that have located in North Carolina during the past twenty-four months.

The aviation courses were added at very little cost to the College or the state, and they were offered with the knowledge that it would take several years to develop the classes to their full potential. The Board and staff acknowledge that the data in your report may well be accurate; however, the College has five students enrolled in fall classes with an additional seven students slated to begin classes by November 1. As a result of strategic national aerospace partnerships, the College anticipates an additional 15-20 students will be enrolled during the spring term of this school year. In fact, the College is presently completing contract negotiations to provide flight training for up to 200 commercial aviators with two universities and is anticipating that this will more than offset investments made in the start up of the classes to this point.

In summary, the Board of Trustees and President monitor revenue and expenditures for all the College's programs on an annual basis. To date, the College's Associate of Arts university transfer program of study has been performing well, even after adding the aviation course electives. Be assured, the Board and President are monitoring the aviation classes in light of their potential to be of service to the state, and given enrollment projections over the next three years, are of the opinion that

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all investments in capacity building have considerable potential for a positive return on investments over the next three years. The Board of Trustees will continue to monitor performance of these and other classes on an annual basis and make adjustments as necessary.

2. Unauthorized Contract

Recommendation: RCC should ensure all contracts undergo proper review and approval.

Response: As referenced in your letter, RCC did enter into a *partnership agreement* – not a contract – with the University of North Dakota Aerospace Foundation, Inc. (hereinafter referred to as UNDAF) in order to provide low cost flight lab training support for the aviation classes added in the College’s Associate of Arts university transfer program. In establishing this agreement, officials from RCC and UNDAF met with executive level representatives of the North Carolina Community College System for the purpose of determining the most appropriate way to add the aviation electives and followed NCCCS staff counsel and direction in doing this. In fact, RCC records reflect that the College submitted all required documents to the NCCCS Office for approval prior to offering any of the aviation classes, and this authorization was received.

From the outset, staff for RCC and at the NCCCS Office understood that this was an agreement, not a contract, and it was therefore believed to be in compliance with 23NCAC 02E.0602. For two years the College offered these classes, they were audited by the NCCCS Office, and the Office of the State Auditor with no findings or recommendations. In 2007, with no explanation or reason, the NCCCS Office said it intended to conduct a special audit, and it was during this period that the staff of the NCCCS reinterpreted the agreement. After extensive legal review, it became evident that the College and NCCCS Office held differing viewpoints on the agreement, and in order to minimize expense to the agencies and expedite business, RCC and the NCCCS Office reached a consensus agreement to settle the matter amicably.

Currently, RCC is in the process of amending the RCC/UNDAF Agreement to make sure it is compliant with provisions of 23NCAC 02E.0602. RCC has asked the NCCCS staff and general counsel to review the document before execution in order to insure the agreement has undergone proper review and approval. The Board of Trustees is of the opinion this matter has been addressed.

3. Excessive Expenditures by RCC’s President

Recommendation: Purchases should always comply with North Carolina General Statute 115D-58.14. Purchases should be necessary and quotes should be obtained, especially if companies being considered are not on statewide terms contracts. Subsequent to a review of quoted prices, any purchase should be made from the vendor providing the lowest cost, if made on a basis other than lowest cost, then documentation should be available describing reason(s) for the deviation from this procedure.

Response: The Board of Trustees has reviewed this recommendation and found that the furniture replaced in the President’s Office in 2004 had, to the best of its knowledge, been in use since the College opened its first building on the campus in 1972. It is believed this was the original furniture purchased for the President’s Office, and being 32 years old, certain pieces of it were simply worn out.

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With state mandated changes related to record keeping and changes in technology related to office equipment, the office was also not adequately furnished for staff to perform their duties for the College in a contemporary and high-performance environment. The College did purchase a new desk, three lateral file cabinets, bridges, energy task chairs, and related office furniture and accessories for the President and Executive Assistant. This has clearly enabled the staff to perform their duties in a more desirable manner while providing minimum workplace comforts for 12 to 14-hour work days.

A review of the purchasing records indicate that the College's purchasing manager did in fact obtain quotes for the furniture items referenced, and this is documented on the College's Purchase Orders. The purchases were made from Herald Office Supply (which was not an interior decorating company, as best can be determined) which, at that time, had locations in six different municipalities with a satellite location in Lumberton, North Carolina. Further investigation revealed that the items purchased were invoiced out of Herald Office Supply's Dillon, SC, office which is approximately 25 miles from the RCC campus - thereby minimizing any delivery costs for the items purchased.

Further, the Board has directed the staff to review this purchase in relation to accepted North Carolina procurement procedures and requirements in place at the time of purchase. The Board has found that all items purchased were done so in accordance with accepted purchasing practice and notes that these purchases were audited by the Office of the State Auditor financial auditors with no findings or recommendations. More recent financial audits by the Office of the State Auditor have resulted in no findings or recommendations related to the College's compliance with state purchasing guidelines. In the Board's opinion, RCC appears to be in compliance with all North Carolina General Statutes related to purchasing and procurement.

4. Catering Vendor, Also an Employee, Received Different Payment Terms

Recommendation: Written vendor payment procedures should be developed, implemented, and communicated to all staff members involved in vendor payment operations. The practice of making payments to vendors prior to the completion of all agreed-upon services should be reviewed and RCC purchasing guidelines should be followed.

Response: Robeson Community College does use a limited number of caterers to provide food and beverage services for various events hosted by the College. Further, RCC does employ several individuals who have secondary employment, and one of its part-time employees does have a small specialty catering business. In the past, the College has contracted with this part-time employee after receiving quotations to provide catering services when a special event was being hosted by the College. As a part of the contractual service agreement, partial payment was made to assist with the provision of unique food items that were not ordinarily and customarily maintained in her food item inventory but in no case was there a violation of state or college purchasing or procurement guidelines.

More than six months ago, the President of the College discontinued the practice of using any RCC employee for a contracted service. In doing appropriate due diligence, the President has also checked with five neighboring community colleges to see if any Boards of Trustees have vendor payment policies, and none of the institutions have adopted policies independent of the North Carolina

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Agency Purchasing Manual and the local College's Purchasing Guidelines, Policies, and Procedures Manual. Given the action taken by the President, the College's current practice of adhering to the North Carolina Agency Purchasing Manual, and recently adopted local procurement policies, the Board of Trustees is of the opinion that no further action is needed in reference to this recommendation.

The RCC Board of Trustees and its staff place high value on accountability to the taxpayer and general public for the services it provides and the funds it expends. In keeping with the precedent you established, the Governor, Attorney General, and other appropriate officials will receive a copy of this response. Should you require any additional information in order to remand this matter to the files, please give me a call at 910.865.4059.

Respectfully,

A handwritten signature in black ink that reads "George D. Regan". The signature is written in a cursive style with a large initial "G".

George D. Regan
Chairman
RCC Board of Trustees

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OSA Special Audit File 2007-08