

STATE OF NORTH CAROLINA

ROANOKE-CHOWAN COMMUNITY COLLEGE

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue
Members of the North Carolina General Assembly
Board of Trustees, Roanoke-Chowan Community College
Dr. Ralph G. Soney, President
Roanoke-Chowan Community College

We have completed certain audit procedures at Roanoke-Chowan Community College related to the State of North Carolina reporting entity as presented in the *Single Audit Report* for the year ended June 30, 2008. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

In the *Single Audit Report*, the State Auditor presents the results of tests of internal control and compliance with laws, regulations, contracts, and grants applicable to the State's major federal programs. Our audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the Single Audit Act.

Our audit objective was to render an opinion on the State of North Carolina's administration of major federal programs and not the College's administration of major federal programs. However, the report included herein is in relation to our audit scope at the College and not to the State of North Carolina as a whole.

The audit finding referenced in the report is also evaluated to determine its impact on the State's internal control and the State's compliance with rules, regulations, contracts, and grants. If determined necessary in accordance with *Government Auditing Standards* or the Single Audit Act, the finding is reported in the State's *Single Audit Report*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
and Management of Roanoke-Chowan Community College.

Compliance

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended June 30, 2008, we have performed audit procedures at Roanoke-Chowan Community College. Our report on the State of North Carolina's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 is included in the State's *Single Audit Report*. Our federal compliance audit scope at Roanoke-Chowan Community College included the following:

- SFAC - Student Financial Assistance Cluster

The audit results described below are in relation to our audit scope at the College and not to the State of North Carolina as a whole.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. Our audit does not provide a legal determination of compliance with those requirements.

The results of our audit procedures at Roanoke-Chowan Community College disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and which is described in the finding in the Audit Findings and Responses section of this report.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the Audit Findings and Responses section of this report to be a significant deficiency.

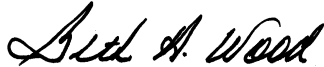
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the Audit Findings and Responses section of this report to be a material weakness in relation to our audit scope at the College.

Management's response to the finding identified in our audit is included in the Audit Findings and Responses section of this report. We did not audit the response, and accordingly, we express no opinion on it.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Beth A. Wood". The script is cursive and fluid.

Beth A. Wood, CPA
State Auditor

January 27, 2009

AUDIT FINDINGS AND RESPONSES

Matters Related to Federal Compliance Objectives

UNTIMELY RETURN OF FEDERAL FUNDS

The College did not return unearned student financial aid funds to the federal government in a timely manner. Title 34 CFR, Part 668.173(b) requires that when a student withdraws from the College, the College must return the amount of federal financial aid that was not earned by the student as soon as possible, but no later than 45 days after the date the College determines that the student withdrew.

We tested seven students who were awarded financial aid and then withdrew from the College. In three cases the College returned the unearned award funds to the federal government nine to 98 days late. In another case, \$923.86 of unearned award funds have not been returned to the federal government and are over six months late.

Federal Award Information: Award No. P063P073101 - Award year 7/1/2007 - 6/30/2008

Recommendation: The College should ensure that federal funds that are unearned by students who withdraw from the College are returned to the federal government within the required timeframe.

Response: Roanoke-Chowan Community College concurs with the audit finding presented. The audit finding for the Return of Title IV was the result of Return of Title IV calculations not being processed and funds not being returned within 45 days of the college becoming aware the students had withdrawn. Calculations were not performed in a timely manner due to miscommunications between the registrar's office and the office of financial aid. The 2007-2008 academic year was R-CCC's first year live on the Datatel computer system. The financial aid office relied 100% on receiving copies of the drop/withdrawal forms to determine applicable return of Title IV candidates. These forms were not forwarded to financial aid; therefore the determination of which students needed Title IV refunds could not be substantiated until the end of the semester when grades were printed. At that point, last dates of attendance as well as other necessary paperwork had to be collected in order to perform and administer the Title IV refund calculations.

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

Corrective Action Plan:

To ensure Return of Title IV remains in compliance with laws, regulations, contracts or grants and to strengthen internal controls regulating these funds, the following actions have been implemented:

1. The financial aid office has received a query from IT that can be run periodically throughout the semester to check for possible Return of Title IV.
2. The offices of Financial Aid, Registrar, Business Office, and Instruction have met to educate and emphasize the importance of Return of Title IV and compliance issues.
3. Financial Aid and the Registrar's office will work more closely to ensure the receipt of all processed student drop/withdrawal forms in a timely manner.
4. The Financial Aid Office will create a spreadsheet to be shared with the Business Office Controller that will list all Return of Title IV eligible students and the date funds need to be returned to remain in compliance with the 45 day ruling.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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