



# STATE OF NORTH CAROLINA

**WAKE TECHNICAL COMMUNITY COLLEGE**

**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2009**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**WAKE TECHNICAL COMMUNITY COLLEGE**  
**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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>

---

**AUDITOR'S TRANSMITTAL**

---

The Honorable Beverly Eaves Perdue, Governor  
Members of the North Carolina General Assembly  
Board of Trustees  
Dr. Stephen C. Scott, President  
Wake Technical Community College

We have completed certain audit procedures at Wake Technical Community College related to the State of North Carolina reporting entity as presented in the *Single Audit Report* for the year ended June 30, 2009. 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.

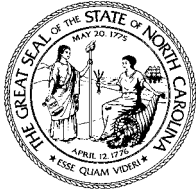
Our audit objective was to render an opinion on the State of North Carolina's administration of major federal programs and not the College's administration of major federal programs. However, the report included herein is in relation to our audit scope at the College and not to the State of North Carolina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

The audit findings referenced in the report are also evaluated to determine their 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, these findings are 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



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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>

**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 Wake Technical 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, 2009, we have performed audit procedures at Wake Technical 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 Wake Technical Community College included the following:

- SFAC - Student Financial Assistance Cluster
- CFDA #84.048 - Career and Technical Education - Basic Grants to States

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.

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

---

The results of our audit procedures at Wake Technical Community College disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in findings 1, 3 and 4 in the Audit Findings and Responses section of this report.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and another that we consider to be a material weakness.

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 deficiencies described in all findings in the Audit Findings and Responses section of this report to be significant deficiencies.

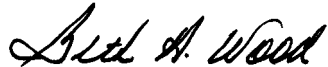
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the Audit Findings and Responses section of this report, we consider finding 1 to be a material weakness.

Management's responses to the findings identified in our audit are included in the Audit Findings and Responses section of this report. We did not audit the responses, and accordingly, we express no opinion on them.

**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, Wake Technical Community College Board of Trustees, others within the entity, the Governor, the General Assembly 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.



Beth A. Wood, CPA  
State Auditor

March 17, 2010

[ This Page Left Blank Intentionally ]

## **AUDIT FINDINGS AND RESPONSES**

---

### **Matters Related to Federal Compliance Objectives**

#### 1. FEDERAL LOAN FUNDS NOT DISBURSED TIMELY

The College did not disburse federal loan funds to students within the required timeframe. Federal regulations (34 CFR, section 668.167(b)) require the College to disburse loan funds as soon as administratively possible, but no later than three business days following the date that the funds are received.

We tested 87 student disbursements of Federal Family Education Loan funds. In 79 cases, the students did not receive their loan funds until four to 41 days after the College had received the funds from the lenders.

*Federal Award Information:* Award Year July 1, 2008 - June 30, 2009

*Recommendation:* The College should implement procedures to ensure that Federal Family Education Loan funds are disbursed to students within the required timeframe.

*Response:* The College uses a third party company (ELM) to process FFEL loans. The Accounting Office has always adhered to the three day disbursement regulation for direct draw down DOE funds, but was not aware the regulation also applied to FFEL funds. The Financial Aid Office had scheduled weekly automatic deposits with ELM for ease of processing. Future deposits from ELM will coincide with the Semester Disbursement Schedule jointly prepared between the two offices. This modification will assure loan disbursements within the prescribed deadlines. The College also plans to introduce the Federal Direct Loan program in fall 2010 to replace the FFEL program. The Direct Loan program follows the same draw down procedures for DOE funds.

#### 2. LACK OF CONTROLS OVER REQUIRED REPORTING OF FEDERAL AWARD DATA

The College did not have internal controls in place to ensure that required reporting of Pell Grant disbursements was submitted. Although actual noncompliance was not identified, there is an increased risk that the College would not comply with federal regulations for administering the federal assistance program.

OMB Circular A-133 requires the College to submit disbursement data to the Common Origination and Disbursement system within 30 days from the date of the disbursement.

*Federal Award Information:* Award # P063P082554; Award Year July 1, 2008 - June 30, 2009



## AUDIT FINDINGS AND RESPONSES (CONTINUED)

---

*Recommendation:* The College should design and implement policies and procedures to monitor and ensure that all required data related to the disbursement of Pell funds are reported timely and accurately to the Department of Education.

*Response:* The Financial Aid Office already relies on the Semester Disbursement Schedule as a reminder to report Common Origination and Disbursements for planned large batch financial aid payments. An automated internal report has been created that originates from IT Services on a weekly basis to ensure that the College continues “exception free” timely reporting of Federal data when processing interim small batch financial aid payments.

### 3. UNTIMELY RETURN OF FEDERAL FUNDS

The College did not return unearned student financial aid funds related to the Federal Family Education Loans (FFEL) program to the federal government in a timely manner. Federal regulations (34 CFR, section 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 that the College determines that the student withdrew.

We tested 60 students who were awarded federal financial aid for FFEL and then withdrew from the College. We found 16 cases in which the College returned the unearned award funds to the federal government at least 54 days late. In eight of these cases, the College returned the unearned funds to the federal government at least 130 days late.

*Federal Award Information:* Award Year July 1, 2008 - June 30, 2009

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

*Response:* The Financial Aid Office in coordination with the Accounting Office will ensure federal awards that are unearned by students who withdraw from the College are returned to the federal government within the required time frame by increasing the number of times per semester the “Return to Title IV Report” is processed. In addition, the Executive Vice President will advise all faculty of the importance of timely reporting of withdrawals and will take corrective action as situations merit.

### 4. UNTIMELY NOTICE TO LENDER OF CHANGES IN STUDENTS’ STATUS

The College did not provide student financial aid lenders timely notice of student withdrawals from the College. Federal regulations (34 CFR, section 682.610(c)) requires the College to notify the lender within 30 days of its discovery that a recipient of Federal Family Education Loan funds has ceased to be enrolled on at least a half-time basis,

## AUDIT FINDINGS AND RESPONSES (CONCLUDED)

---

failed to enroll, has ceased to be enrolled on a full-time basis, or changed his or her permanent address unless it expects to submit its next student status confirmation report within the next 60 days.

The College failed to provide timely notice for 10 of the 60 student withdrawals we reviewed. Changes in students' status were reported between 47 and 337 days late.

*Federal Award Information:* Award Year July 1, 2008 - June 30, 2009

*Recommendation:* The College should improve controls to provide for timely notification of changes in students' status.

*Response:* The Financial Aid Office in conjunction with the Registrar's Office will improve timeliness in reporting student withdrawals by increasing the frequency of submissions to the National Student Clearinghouse each semester from the current three times to four. In addition, the Executive Vice President will advise all faculty of the importance of timely reporting of withdrawals and will take corrective action as situations merit.

[ This Page Left Blank Intentionally ]

## ORDERING INFORMATION

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647