

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



CRAVEN COMMUNITY COLLEGE

NEW BERN, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2015



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Board of Trustee
Dr. Raymond W. Staats, President
Craven Community College

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at Craven Community College for the year ended June 30, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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*. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

Our audit objective was to render an opinion on the State of North Carolina's, 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 State Auditor expresses an opinion on the State's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

The audit findings in this 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*, 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

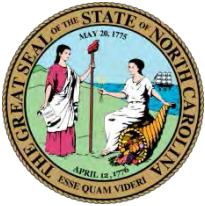
Table of Contents

| | PAGE |
|---|------|
| INDEPENDENT AUDITOR’S REPORT..... | 1 |
| FINDINGS, RECOMMENDATIONS, AND RESPONSES..... | 4 |
| ORDERING INFORMATION..... | 7 |



INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
and Management of Craven Community College

Report on 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 could have a direct and material effect on each of its major programs for the year ended June 30, 2015, we have performed audit procedures at Craven Community College. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on 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 Craven Community College included the following:

- 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above, which we issue in the State's Single Audit Report. 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. However, our audit does not provide a legal determination of the College's compliance with those requirements.

Opinion on Each Major Federal Program

As stated above, our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's Single Audit Report.

Other Matters

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

Report on Internal Control Over Compliance

Management 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 internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133, 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 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 a 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 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 the 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. However, we consider the deficiencies described in the Findings, Recommendations, and Responses section of this report to be material weaknesses in internal control over compliance.

Craven Community College's Response to Findings

The College's responses to the findings identified in our audit are included in the Findings, Recommendations, and Responses section of this report. The College's responses were not subjected to the auditing procedures applied in the audit of compliance or consideration of internal control over compliance, and accordingly, we express no opinion on them.

Purpose of Report on Internal Control Over Compliance

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 of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 28, 2016



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

The following audit findings were identified during the current audit and describe conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

1. ERROR IN CALCULATION FOR RETURN TO TITLE IV FUNDS

The College did not include students that unofficially withdrew from school in their calculation of funds required to be returned to the Title IV program.

As a result, the College had \$1,957.28 that was not returned.

The College's calculations for the amount required for return to the Title IV program failed to include amounts for unofficial student withdrawals. For the fiscal year ended June 30, 2015, 3 students received all grades of F, and had a last day of attendance prior to the mid point of the semester. These students received \$4,289.00 in Title IV funds and \$1,957.28 of this amount should have been calculated into the amounts to be returned.

According to the College, the report they used to identify unofficial withdrawals, did not include students that enrolled in late start or term B classes during a semester.

Federal regulations¹ state that if the total amount of assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Regulations¹ also state that if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period, or if applicable, the period of enrollment is the withdrawal date.

Additionally, regulations¹ require that returns of Title IV funds be deposited or transferred into the Student Financial Aid account or that electronic fund transfers be initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Federal Award Information: Award Year July 1, 2014 – June 30, 2015, CFDA 84.063 Federal Pell Grant Program (PELL)

Recommendation: The College should design and implement effective procedures to ensure that unofficial student withdrawals are included in the calculations for returns of Title IV program funds. Further, improvements in procedures should be made to ensure the returns are complete and accurate and returned on a timely basis in accordance with federal compliance requirements.

Agency Response: The Director of Financial Aid has revised a report which shows final grades of "F" or "U" to include all classes throughout the terms, not just the

¹ 34 CFR 668.22(a)(1) – (a)(5), 668.22(c) and 668.22(d), and 668.173(b)

beginning and ending dates. A column has been added in the informer report to show the class start date to ensure accuracy of classes. A second report is run to look at students who received a "0" GPA. This is a secondary measure to ensure the accuracy of the report and to make sure we are in compliance with the federal regulation regarding the Return of Title IV aid for students who do not complete at least 60% of the semester. This report was rerun to identify any additional students for the 2014-2015 year. Unearned aid was returned to the Department of Education.

2. ENROLLMENT REPORTING ERRORS

The College did not report enrollment status changes for students who received federal student aid to the National Student Loan Data System (NSLDS) as required. The College had 448 students who received \$1,034,639.95 in federal student financial assistance subject to this reporting requirement.

Out of a sample of 60 students who received federal student financial assistance and whose enrollment status changed, 40 were not reported in accordance with federal compliance requirements:²

Of the 40 errors, 1 enrollment status change was reported 31 days late, and the remaining 39 enrollment status changes were never reported to the NSLDS.

Incorrect information in NSLDS may interfere with a student's loan privileges, deferment privileges, grace periods, and other considerations.

According to the College, they relied upon the National Student Clearinghouse (NSC), a third party service provider, to ensure the accurate and timely reporting of enrollment status changes. College employees did not realize it was their responsibility to ensure that the information reported to NSLDS by the service provider was in agreement with the College records.

Federal regulations² require the College to notify NSLDS within 30 days of a change in student status for those students that received PELL Grant funds. In addition, the NSLDS Enrollment Reporting Guide states the College is ultimately responsible for timely and accurate reporting.

Federal Award Information: Award Year July 1, 2014 – June 30, 2015. CFDA 84.063 Federal Pell Grant Program (PELL)

Recommendation: The College should implement procedures to ensure required student enrollment changes are reported timely and accurately to the Department of Education.

Agency Response: When running the monthly enrollment report, the census date has been corrected to reflect the current date the report is run, not the census date which was previously used. As an accuracy check, another report is run to show withdrawals for students since the last date the Clearinghouse report was run. This data is used to make sure that the changed enrollments are included in the report sent to the

² 34 CFR 682.610, 685.309, and 690.83

Clearinghouse. Once the Clearinghouse processes the information and sends the data to NSLDS, the Director of Financial Aid will also do periodic checks in NSLDS to make sure the students are reported correctly. The Registrar's office is currently conducting daily grade verification updates to ensure that each student's enrollment status is current.

ORDERING INFORMATION

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<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:
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Director of External Affairs
919-807-7513



This audit was conducted in 346.5 hours at an approximate cost of \$34,303.50.