

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

ASHEVILLE, NORTH CAROLINA
STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2016



NC  **OSA**
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Board of Trustees
Dr. Dennis F. King, President
Asheville-Buncombe Technical 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 Asheville-Buncombe Technical Community College for the year ended June 30, 2016. 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 *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 for Federal Awards* (Uniform Guidance). 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 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 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

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Article V, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



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 THE UNIFORM GUIDANCE**

Board of Trustees
and Management of Asheville-Buncombe Technical 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 Compliance Supplement* that could have a direct and material effect on each of its major programs for the year ended June 30, 2016, we have performed audit procedures at Asheville-Buncombe Technical 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is included in the State's *Single Audit Report*. Our federal compliance audit scope at Asheville-Buncombe Technical Community College included the 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 federal statutes, regulation, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for 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 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 Asheville-Buncombe Technical Community College disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in Finding 1 in the Findings, Recommendations, and Responses section of this report. Finding 2, reported as questioned costs, is also described in this section.

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 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 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 deficiency described in Finding 1 in the Findings, Recommendations, and Responses section of this report to be a material weakness in internal control over compliance.

Asheville-Buncombe Technical 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, and accordingly, we express no opinion on these responses.

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 16, 2017



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. ENROLLMENT STATUS REPORTING ERRORS

The College did not report timely to the National Student Loan Data System (NSLDS) enrollment status changes for students who received federal financial assistance. During the audit period, the College disbursed approximately \$19.4 million in federal financial assistance funding to 3,529 students subject to this reporting requirement.

Auditors tested the enrollment status reporting for a sample of 111 students who received federal financial assistance and whose enrollment status changed. Sixteen (14%) students were not reported in accordance with federal compliance requirements. Specifically:

- 13 (12%) students were reported between 78 and 150 days after the status change occurred.
- 3 (2%) students were not reported at all or were reported and rejected.

Failure to report student enrollment status changes to NSLDS could delay or fail to initiate student loan repayments and could impact loan and PELL eligibility.

The College used a third-party servicer, National Student Clearinghouse (Clearinghouse), to report student status information to NSLDS. Enrollment records were sent to the Clearinghouse for submission to NSLDS without additional follow-up by the College to ensure timely and accurate reporting.

Federal regulations¹ require the College to notify NSLDS within 75 days² of a change in student status for those students that received Pell Grant and Federal Direct Loan 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, 2015 – June 30, 2016. CFDA 84.063 Federal Pell Grant Program and CFDA 84.268 Federal Direct Students Loans.

Recommendation: College management should implement monitoring procedures to ensure that student enrollment data reported to NSLDS agrees with College records.

¹ 34 CFR section 690.83 and 34 CFR section 685.309

² The College is required to notify NSLDS when it discovers that a student who received a Pell Grant or Direct Loan funds is no longer enrolled at least half-time. Unless the College expects to complete its enrollment roster with NSLDS within 60 days of the student's change in enrollment, the College must notify the lender or guarantee agency, via NSLDS within 30 days. The College has 15 days to turn around the roster file. Therefore, we have determined timeliness to be established as within 75 days.

Agency Response: Asheville-Buncombe Technical Community College (A-B Tech) agrees with the finding.

The following three corrective actions have been taken by A-B Tech to ensure that student enrollment data reported to NSLDS agrees with College records:

1. A locally produced report identifies students whose enrollment status changes to less than half time. The report is processed on a monthly basis as part of the National Student Clearinghouse (NSC) upload of enrollment statuses. The report verifies that enrollment status changes are transmitted from the College to the NSC and then, in turn, to the NSLDS.
2. The NSC's Monthly Reject Report is being processed within NSC-specified time periods.
3. The NSLDS, effective January 2017, is producing a new SSCR reject report which will also be processed within NSLDS specified time periods.

This corrective action has been fully implemented as of January 9, 2017, and these three processes will be performed on a monthly basis going forward. The Registrar and the Records Compliance Specialist are responsible for implementing the corrective action and processing monthly verifications.

2. STUDENT FINANCIAL AID OVER-AWARDS

The College over-awarded federal financial assistance to some students. During the audit period, the College disbursed approximately \$19.4 million in federal financial assistance funding to 3,529 students subject to this reporting requirement.

Auditors tested award calculations in a sample of 60 students who received federal funds and found two students (3%) who were over-awarded. The students received more Pell funds than allowed based on their demonstrated need.

As a result, the students received at least \$1,257³ in financial assistance for which they were not eligible. Those funds could have been allocated to other students or reduced the cost of the federal program.

The College's financial aid office did not have monitoring procedures to identify errors in the award amount when a manual calculation of a student's award was performed or when a change in enrollment status occurred. The College relied solely on its information system to prevent award errors that resulted from changes in student enrollment status.

³ The Code of Federal Regulations, 2CFR 200.516(a)(4) requires auditors to report known questioned costs when likely questioned costs are greater than \$25,000. Even though sample results identified only \$1,257 in questioned costs, if tests were extended to the entire population, questioned costs would likely exceed \$25,000.

Federal regulations⁴ require that the College determine Pell awards for students based on the student's enrollment status, cost of attendance, expected family contribution, and the maximum allowed amount established by Congress.

Federal Award Information: Award Year July 1, 2015 – June 30, 2016. CFDA 84.063 Federal Pell Grant Program.

Recommendation: College management should design monitoring procedures to ensure that manual calculations and changes in enrollment status do not result in award errors. Additionally, College management should test information system controls to ensure they are functioning as designed.

Agency Response: Asheville-Buncombe Technical Community College (A-B Tech) agrees with the finding.

Corrective action will be taken by A-B Tech to ensure Student Financial Aid Over-Awards are addressed. A-B Tech has identified solutions to the underlying factors that contributed to the Over-Awards. Manual awards will now be tracked throughout the term at each transmission point to ensure they have been done correctly. A report has been built to identify students who have been manually awarded. This report is run and checked prior to each major transmittal of federal funds. The Associate Director of Financial Aid will check manual awards for accuracy prior to each transmittal. Pell Grant Recalculations are now ensured to be covered by adding a recalculation date at the end of the semester after all courses have begun and passed their census dates.

A-B Tech has implemented corrective actions as of February 9, 2017. The Director and Associate Director of Financial Aid are responsible for ensuring these actions are accurately and properly executed and tested on a monthly basis.

⁴ 20 USC 1070a(b)

ORDERING INFORMATION

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This audit was conducted in 433 hours at an approximate cost of \$44,599.