

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## CENTRAL CAROLINA COMMUNITY COLLEGE

SANFORD, 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**



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Board of Trustees, Central Carolina Community College  
Dr. T. Eston Marchant, President

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 Central Carolina 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**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

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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**

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Board of Trustees and Management of  
Central Carolina Community College

Report on Compliance for Each Major Federal Program

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 Central Carolina 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 Central Carolina 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 Central Carolina Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance 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 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 deficiencies described in the Findings, Recommendations, and Responses section of this report to be material weaknesses in internal control over compliance.

#### Central Carolina 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 the response.

#### 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 timely report enrollment status changes to the National Student Loan Data System (NSLDS) for students who received federal financial assistance. During the audit period, the College disbursed approximately \$8.2 million in federal financial assistance funding to 2,368 students subject to this reporting requirement.

Auditors tested the enrollment status reporting for a sample of 60 students who received federal financial assistance and whose enrollment status changed. Ten (17%) students were not reported in accordance with federal compliance requirements. All 10 of the errors were students who graduated.

Failure to report student enrollment status changes to NSLDS could impact student Pell eligibility.

The 10 errors occurred for two reasons.

First, the College did not review its reports to the National Student Clearinghouse (Clearinghouse) to ensure that the reports were complete and accurate. The College uses the Clearinghouse, a third-party service provider, to report student enrollment status changes to the NSLDS. However, the College failed to report eight of the 10 status changes to the Clearinghouse.

Second, the College did not monitor to ensure that the information the Clearinghouse reported to NSLDS agreed with the College's records. Although the College reported two of the 10 changes to the Clearinghouse, the Clearinghouse failed to report the changes to the NSLDS.

Federal regulations<sup>1</sup> require the College to notify NSLDS within 75<sup>2</sup> days of a change in student status for those students that received Pell Grant funds. In addition, the NSLDS Enrollment Reporting Guide states that 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.

<sup>1</sup> 34 CFR 690.83 and 34 CFR 685.309

<sup>2</sup> The College is required to notify the NSLDS when it discovers that a student who received loans or Pell grants is no longer enrolled at least half-time. Unless the College expects to complete its enrollment roster with the 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, auditors defined timeliness in this instance to be within 75 days.

*Recommendation:* College management should review reports submitted to the Clearinghouse to ensure they are complete and accurate. College management should also implement monitoring procedures to ensure that student enrollment data reported to NSLDS by the Clearinghouse agrees with College records.

*College Response:* College agrees with the finding. Central Carolina Community College follows recommended best practices provided by our guiding body, the NC Community College System Office, in reporting enrollment status and subsequent changes to the National Student Clearinghouse (NSC). NSC offers two report options for enrollment status reporting - the standard report for monthly compulsory semester/term reports and the non-standard report used for graduate reporting.

The following corrective actions have been or will be taken by the College to ensure that student enrollment data reported to NSLDS agrees with College records:

1. The College has worked to convert the flat file generated by the graduate report into a readable file for line item comparison with currently used local Informer report previously only checking counts.
2. The College is working with the NSC to learn how to use both the Reject Detail information provided by the NSC's Enrollment Status reporting and to determine why reported statuses to NSC are not being reported to NSLDS when no error is identified.
3. The College is working with the NC Community College System Office to determine why some students are not reported when the College is following the NSC and NCCCS recommended best practices for submission.
4. The NSLDS, effective January 2017, is producing a new SSCR reject report which will also be processed for NSLDS. For reported students with SSN error warnings, the college will send email and hard copy letters asking for SSN verification and will place registration holds on their accounts until verification is received as their enrollment is not being reported to lenders, servicers, or NSLDS.
5. College personnel are attending an NSC Workshop on March 15, 2017 for NSC training.

These processes will be performed on a monthly basis going forward. The Enrollment Services Coordinator within the Records Office is responsible for processing the monthly enrollment status report and the degree verification each term.

## 2. ERRORS IN CALCULATION FOR RETURN OF TITLE IV FUNDS

The College incorrectly calculated how much money to return to the Title IV program (financial aid) after students supported by the program withdrew from school. The calculations and return of funds were also untimely. During the audit period, the College disbursed approximately \$8.3 million in financial aid to 2,371 students.

Auditors tested the determination of aid earned for a sample of 60 students that had a "0" grade point average.

- For 14 (23%) students, the determination was not performed until 155 days after the end of the fall 2015 term.

- For 5 (8%) students, no determination was performed.
- For 2 (3%) students, the determination was performed timely, but the College returned funds to the Title IV program late and disbursed funds to the students late.

As a result, the College failed to return \$7,045 to the Title IV program and returned another \$304 to the program 28 days late. Those funds could have been allocated to other students or reduced the cost of the federal programs. The College also disbursed \$1,356 to students late.

According to the College, the return calculation was the primary responsibility of the Assistant Financial Aid Director with the Director of Financial Aid being her back-up. When the previous Director left, it became the sole responsibility of the Assistant Director who failed to complete the calculation timely. Monitoring procedures only consisted of email correspondence in which the Assistant Director indicated to management that the calculations were being completed.

Federal regulations<sup>3</sup> 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 program.

Additionally, federal regulations<sup>4</sup> 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 the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determined that the student withdrew.

*Federal Award Information:* Award Year July 1, 2015 – June 30, 2016. CFDA 84.033 Federal Work-Study Program; CFDA 84.063 Federal Pell Grant.

*Recommendation:* College management should perform supervisory review of supporting documentation to ensure that the determination and calculation of returns to the Title IV program are calculated correctly and timely.

*College Response:* Central Carolina Community College agrees with the audit finding that Return to Title IV funds was incorrectly calculated and untimely. As stated on the audit report, the former Assistant Financial Aid Director held the primary responsibility for completing the Return to Title IV funds process and failed to complete the calculations in a timely manner. After the Director of Financial Aid left the College, upper management began inquiring on the completeness of these return calculations and was told that return calculations were being processed. Once a new Director of Financial Aid was hired, the College became aware that Return of Title IV calculations were not being completed in a timely manner, and immediate action was taken to process any outstanding return calculations for the 2015-2016 year. Unearned funds were returned to the Department of Education and the following procedures were put in place:

<sup>3</sup> 34 CFR 668.22(a)(1) through (a)(5)

<sup>4</sup> 34 CFR 668.173(B)

1. To ensure that return calculations are performed timely and are properly monitored, the Return to Title IV funds process was reassigned as the primary responsibility of the Director of Financial Aid. In addition, the new Assistant Director of Financial Aid was cross-trained in performing R2T4s to serve as the back-up, in the absence of the Director.
2. An internal calendar for each term was created to track the processing dates of Return to Title IV funds calculations and the corresponding regulatory deadlines.
3. The report that is used to identify financial aid recipients with registration statuses of drops, withdrawals, and unearned Fs is now generated using the College's Informer system by the Director of Financial Aid on a bi-weekly basis. This information is then used to perform Return to Title IV funds calculations using the Colleague system.
4. The College's attendance policy and procedures will be updated to better align with federal regulations for Return to Title IV funds.

# ORDERING INFORMATION

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## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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This audit was conducted in 305 hours at an approximate cost of \$31,415.00.