

# STATE OF NORTH CAROLINA

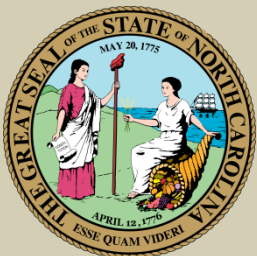
OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2018



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Beth A. Wood, CPA  
State Auditor

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STATE OF NORTH CAROLINA  
**Office of the 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  
Dr. Robert S. Shackelford, Jr., President  
Randolph Community College

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 federal programs, we have completed certain audit procedures at Randolph Community College for the year ended June 30, 2018.

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. However, the results included herein are 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*.

Our federal compliance audit scope at Randolph Community College included the Student Financial Assistance Cluster.

Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

We conducted our audit of compliance 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

### Other Matters

#### *Compliance*

The results of our audit procedures at Randolph Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in findings 1 and 2 in the Findings, Recommendations, and Responses section.

#### *Internal Controls*

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 and significant deficiencies may exist that were not identified. However, as discussed in the Findings, Recommendations, and Responses section, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. The deficiency described in finding 1 is considered to be a material weakness in internal control over compliance. Furthermore, the deficiency described in finding 2 is considered to be a significant deficiency in internal control over compliance.

### Randolph Community College's Response to the Findings

The College's responses to the findings identified in our audit are included in the Findings, Recommendations, and Responses section of this transmittal. 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 responses.

Purpose of This Transmittal

The purpose of this transmittal is solely to describe the scope of our testing of internal control over compliance and testing of compliance and the results of that testing at Randolph Community College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

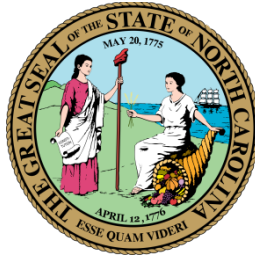
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 19, 2019



# **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 \$4.7 million in federal financial assistance funding to 1,181 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.

Three (5%) students were not reported in accordance with federal compliance requirements. Specifically:

- One student was not reported at all.
- One student was reported 76 days after the status change occurred.
- One student was reported with an incorrect status change.

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

The three errors occurred for two reasons.

First, the College did not review error reports received from the National Student Clearinghouse (Clearinghouse) because they didn't know that the reports existed. These reports notify them of potential errors that need to be cleared prior to submission to NSLDS. The College uses the Clearinghouse, a third-party service provider, to report student enrollment status changes to the NSLDS.

Second, the College relied upon the information system (Colleague) to identify all students with status changes. During the audit period, the parameters that were set up in Colleague did not properly identify all students who graduated and were required to be reported.

Federal regulations<sup>1</sup> require the College to notify NSLDS within 75 days<sup>2</sup> 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, 2017 – June 30, 2018. CFDA 84.063 Federal Pell Grant Program.

<sup>1</sup> 34CFR 690.83 and 34CFR 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, we have determined timeliness to be established as within 75 days.

*Recommendation:* College management should review error reports received from the Clearinghouse to ensure all errors are cleared as appropriate. College management should also establish monitoring procedures to ensure changes to the parameters in Colleague are made appropriately and timely to ensure all students subject to reporting requirements are properly identified.

*Agency Response:* See page 6 for Randolph Community College's response to this finding.

### 2. UNTIMELY RETURN OF TITLE IV FUNDS

The College did not timely return Title IV funds (financial aid) after students supported by the program withdrew from the school. During the audit period, the College disbursed approximately \$4.8 million in financial aid to 1,211 students.

Auditors tested the return calculations for a sample of 16 out of 81 students that met the requirements and had Title IV calculations performed. Auditors found two students (13%) in which unearned funds totaling \$3,036 were returned to the Title IV program between five and 14 days late.

As a result, the untimely return of those funds prevented them from being allocated to other students or reducing the cost of federal programs.

The errors occurred because the College did not have procedures in place during the audit period to ensure instructors reported withdrawals in a timely manner.

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, 2017 – June 30, 2018. CFDA 84.063 Federal Pell Grant Program; CFDA 84.007 Federal Supplemental Educational Opportunity Grant.

*Recommendation:* College management should design and implement procedures to ensure that instructors report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

*Agency Response:* See page 7 for Randolph Community College's response to this finding.

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

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





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November 7, 2018

The Honorable Beth A. Wood, State Auditor  
 Office of the State Auditor  
 2 South Salisbury Street  
 20601 Mail Service Center  
 Raleigh, North Carolina 27699-0600

Dear Auditor Wood:

We are providing the written response for the findings identified in connection with your audit of the major federal programs of the State of North Carolina for the year ended June 30, 2018, in accordance with the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The responses have been prepared for each audit finding.

### 1. Enrollment Status Reporting Errors

**OSA Recommendation:** College Management should review error reports received from the Clearinghouse to ensure all errors are cleared as appropriate. College management should also establish monitoring procedures to ensure changes to the parameters in Colleague are made appropriately and timely to ensure all students subject to reporting requirements are properly identified.

**College Response:** Randolph Community College agrees with the finding and recommendation to review error reports received from the Clearinghouse to ensure all errors are cleared as appropriate. College management will establish monitoring procedures to ensure changes to the parameters in Colleague are made appropriately and timely to ensure all students subject to reporting requirements are properly identified.

To resolve the first error noted, the Director of Admissions, Records and Registration (Registrar) is now correcting errors generated by the National Student Loan Data System (NSLDS) that are then reported through Clearinghouse. To resolve the other two errors noted, the Director of Admissions, Records and Registration (Registrar) is now updating statuses for adjustments that occur after the batch enrollment reporting has been completed at the end of each term, on a case-by-case basis, when needed.

Corrective actions are currently being implemented with an estimated date for completion of December 31, 2018, which will allow for the full implementation of these actions during the transition of semesters. Corrective actions will require involvement of the Director of Admissions, Records and Registration (Registrar) and the Assistant Director of Admissions, Records and Registration, both within the Student Services Division.

## 2. Untimely Return of Title IV Funds

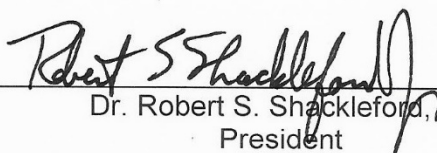
**OSA Recommendation:** College Management should design and implement procedures to ensure that instructors report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

**College Response:** Randolph Community College agrees with the finding and recommendation to implement procedures to ensure that instructors report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

In order to ensure the timely return of unearned funds no later than 45 days from the determination of a student's withdrawal, the Director of Financial Aid and Veterans Affairs has:

- 1) Increased professional development opportunities for faculty and staff regarding the Return to Title IV process and requirements.
- 2) Started sending reports to the Vice President for Student Services on a regular basis of withdrawals that are reported by faculty more than 14 days past the last date of attendance. The Vice President for Student Services reviews this information and then communicates with the Vice President for Instructional Services to address any issues that would result in calculations not being completed in a timely manner. While there were no findings for errors in the calculations, missed calculations, or funds not being returned, the College is committed to correcting this timeframe issue.

Corrective actions are currently being implemented with an estimated date for completion of December 31, 2018, which will allow for the full implementation of these actions during the transition of semesters. Corrective actions will require involvement of faculty and staff from the Student Services Division and Instructional Services Division. The Director of Financial Aid and Veterans Affairs will coordinate with the Vice President for Student Services, who will then work with the Vice President for Instructional Services. The Vice President for Instructional Services will then coordinate with faculty, as needed.

  
Dr. Robert S. Shackelford, Jr.  
President

# ORDERING INFORMATION

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

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For additional information contact:  
Brad Young  
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**919-807-7513**



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This audit was conducted in 317 hours at an approximate cost of \$32,651.