

STATE OF NORTH CAROLINA

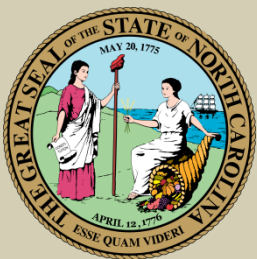
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



ROCKINGHAM COMMUNITY COLLEGE

WENTWORTH, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2019



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Beth A. Wood, CPA
State Auditor

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Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Dr. Mark O. Kinlaw, President
Rockingham 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 Rockingham Community College for the year ended June 30, 2019.

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 Rockingham 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 Rockingham 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.

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. 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.

Rockingham Community College's Responses 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 Rockingham Community College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

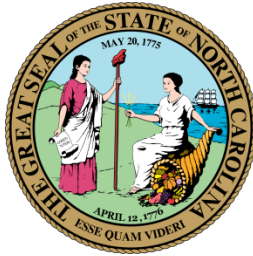
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 20, 2020



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

1. ENROLLMENT STATUS REPORTING ERRORS

The College did not accurately 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 \$2.4 million in federal financial assistance to 664 students subject to this requirement.

Auditors tested the enrollment status reporting for a sample of 120 students who received federal financial assistance and whose enrollment status changed. Ten (8%) students were reported with an incorrect status change.

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

According to College management, the College relied upon the National Student Clearinghouse (Clearinghouse), a third-party service provider, to ensure accurate and timely reporting of enrollment status changes. The College did not monitor the information reported to NSLDS to ensure its agreement with College records.

Federal regulations¹ require the College to notify NSLDS within 75 days² 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, 2018 - June 30, 2019. CFDA 84.063 Federal Pell Grant Program.

Recommendation: College management should monitor submissions of student enrollment status changes submitted by the Clearinghouse to ensure they are reported accurately to the NSLDS.

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

¹ 34 CFR 690.83 and 34 CFR 685.309

² The College is required to notify the NSLDS when it discovers that a student who received loans or Pell grants has had a reduction or increase in attendance levels, graduated, withdrew/dropped out, dropped below half-time, or enrolled but never attended. 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.

2. INFORMATION SECURITY PROGRAM DOES NOT MEET MINIMUM FEDERAL REQUIREMENTS

The College's risk assessment over protecting students' financial aid information did not include all of the elements as required by federal regulations³. During the audit period, the College disbursed approximately \$2.5 million in federal financial assistance to 666 students subject to this requirement.

As a result, student information is more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

The error occurred because the College was unaware that federal regulations require a risk assessment that identifies risks to employee training and management over the security, confidentiality, and integrity of students' financial aid information.

The Gramm-Leach-Bliley Act requires financial institutions to develop, implement, and maintain an information security program that includes a risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Federal Award Information: Award Year July 1, 2018 - June 30, 2019. CFDA 84.007 Federal Supplemental Educational Opportunity Grant; CFDA 84.033 Federal Work-Study Program; CFDA 84.063 Federal Pell Grant Program.

Recommendation: College management should ensure responsible staff receive training on the federal regulations required under the Gramm-Leach-Bliley Act and revise its information security program as necessary.

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

³ 16 CFR 314.4



January 7, 2020

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 this correspondence 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, 2019 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). A written response for each audit finding has been prepared and is stated below:

1. Enrollment Status Reporting Errors

OSA Recommendations

Recommendation: College management should monitor submissions of student enrollment status changes submitted by the Clearinghouse to ensure they are reported accurately to the NSLDS.

Agency Response

Rockingham Community College agrees with the finding and recommendation that the college management needs to monitor the student enrollment data reported to the National Student Loan Data System (NSLDS) for accuracy.

To resolve the finding, the Records Office will notify NSLDS of a change in student status within 75 days and monitor the information reported from NSLDS to ensure its agreement with College records. Upon receipt of the National Student Clearinghouse (NSC) Degree Verify Report, the Records Office will correct all students with an error status. The Records Office will continue to submit enrollment reports and degree reports to the NSC based on the reporting requirements to meet federal regulations. A reconciliation of the NSLDS enrollment data will be completed by the Records Office and Financial Aid and Veterans Affairs Office every 60 days to ensure accurate reporting.

The college's Registrar, in collaboration with the Director of Financial Aid and Veterans Affairs, is responsible for implementing this corrective action. The estimated date for completion of this implementation is February, 2020.

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2. Information Security Program Does Not Meet Minimum Federal Requirements

OSA Recommendations

Recommendation: College management should ensure responsible staff receive training on the federal regulations required under the Gramm-Leach-Bliley Act and revise its information security program as necessary.

Agency Response

Rockingham Community College (RCC) is in agreement with the findings of the audit and has implemented a corrective action plan.

The college purchased training software and began the implementation of monthly security training campaigns in December, 2019. Employees will be required to complete each learning objective by a set deadline. This process will ensure that staff receive consistent training to identify reasonably foreseeable internal and external risks to the security of customer information as required by the Gramm-Leach-Bliley Act. The college's information security program is reviewed and updated on a regular basis. The program consists of the North Carolina Community College System's security standards, as well as college-specific standards as detailed in the RCC Business Continuity Plan.

The System Administrator in the Division of Technology and Institutional Effectiveness will be responsible for the implementation of the plan. The process to implement the corrective action was initiated in December, 2019 and will be an ongoing process.



Chief Executive Office



Chief Financial Officer

ORDERING INFORMATION

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For additional information, contact the
North Carolina Office of the State Auditor at 919-807-7666.

