

# STATE OF NORTH CAROLINA

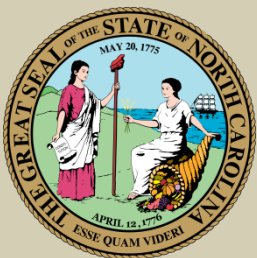
OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## CLEVELAND COMMUNITY COLLEGE

SHELBY, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2020



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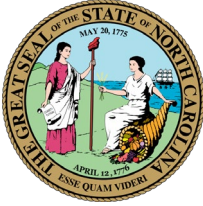
**Beth A. Wood, CPA**  
**State Auditor**

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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  
Dr. Jason Hurst, President  
Cleveland 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 Cleveland Community College for the year ended June 30, 2020.

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 Cleveland Community College included the Student Financial Assistance Cluster.

Our audit was performed by authority of Chapter 147, Article 5A 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 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 consider necessary in the circumstances.

### Other Matters

#### *Compliance*

The results of our audit procedures at Cleveland Community College disclosed no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance.

#### *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 the College's 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 have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiency described in the Finding, Recommendation, and Views of Responsible Officials of the Auditee section to be a significant deficiency in internal control over compliance.

### Cleveland Community College's Response to Finding

The College's response to the finding identified in our audit is included in the Finding, Recommendation, and Views of the Responsible Officials of the Auditee section of this transmittal. The College's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### 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 Cleveland

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

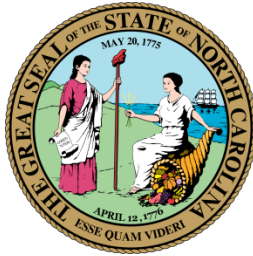
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 22, 2021



**FINDING,  
RECOMMENDATION, AND  
VIEWS OF RESPONSIBLE  
OFFICIALS OF THE  
AUDITEE**

## **Matters Related to Federal Compliance Audit Objectives**

### DEFICIENCIES IN TRANSFER MONITORING

The College did not obtain updated financial aid history through the National Student Loan Data System (NSLDS) for transfer students before disbursing Title IV aid. During the audit period, the College disbursed approximately \$3.8 million in financial aid to 1,135 students.

Auditors determined that the College failed to obtain updated financial aid history for all 29 transfer students that received \$57,373 in Title IV aid during the 2019-2020 award year.

Failure to obtain updated financial aid history for transfer students could result in the disbursement of Title IV funds to students who have reached their lifetime award limits and impact students' Pell eligibility.

According to College management, the employee responsible for obtaining updated financial aid history for transfer students was not properly trained. As a result, the employee was unaware that attempts to obtain this information from the NSLDS were unsuccessful. Further, there were no monitoring procedures in place to ensure that updated financial aid history for transfer students was obtained and reviewed prior to disbursing Title IV aid.

Federal regulations<sup>1</sup> require the College to request updated information about transfer students so it can make certain required determinations<sup>2</sup> before disbursing funds.

*Federal Award Information:* Federal Awarding Agency: U.S. Department of Education; CFDA Number (title): 84.063 (Federal Pell Grant Program); Federal Award Identification Number (award period): P063P193040 (July 1, 2019 - June 30, 2020).

*Recommendation:* College management should ensure that all financial aid staff are adequately trained to perform their assigned duties. Additionally, College management should implement monitoring procedures to ensure federal requirements are met for all transfer students.

*Views of Responsible Officials of the Auditee:* See page 5 for Cleveland Community College's response to this finding.

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<sup>1</sup> 34 CFR 668.19

<sup>2</sup> The College is required to use the transfer monitoring list and/or updated financial aid history to determine: whether any transfer student is in default on any Title IV loan; owes an overpayment on any Title IV grant; the amount of Title IV funds disbursed to the student for the award year; the outstanding principal balance of loans made to the student under each Title IV program; and the amount of and period of enrollment for, loans made to the student under each Title IV program for the academic year requested.





January 15, 2021

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699-0600

**Deficiencies in Transfer Monitoring**

**OSA Recommendation:** College management should ensure that all financial aid staff are adequately trained to perform their assigned duties. Additionally, College management should implement monitoring procedures to ensure federal requirements are met for all transfer students.

**Cleveland Community College Response:**

The following is a formal response to the Single Audit finding provided by the Office of the State Auditor. This finding was received on January 12, 2021 by Cleveland Community College. The Office of Financial Aid at Cleveland Community College agrees with the finding identified.

The steps taken to address the recommendation follows. The Financial Aid Office reviewed the College's workflow for transfer monitoring and compared to the latest version of the North Carolina Community Colleges System (NCCCS) workflow. Minor changes were made to the College's internal workflow to ensure all required information is performed accurately within the transfer monitoring process. Additionally, the College updated the workflow to include timeframes for when each step must be performed, and recurring reminders have been added to the calendar for the Assistant Director of Financial Aid. Finally, the Director of Enrollment Services and Assistant Director of Financial Aid participated training based on NCCCS transfer monitoring training materials. After implementing the new workflow, the Director of Enrollment Services assisted during the first transfer monitoring cycle for the fall 2020 term and observed the Assistant Director of Financial Aid perform this responsibility the following cycles. The College has a clear understanding of the transfer monitoring process. Corrective action was completed on September 23, 2020 in response to receiving the draft finding on September 17, 2020.

Respectfully,

Jason B. Hurst, Ph.D.  
President  
Cleveland Community College



# ORDERING INFORMATION

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