

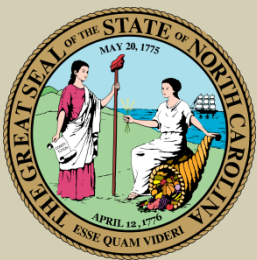
# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## ROANOKE-CHOWAN COMMUNITY COLLEGE

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



**NCOSA**  
The Taxpayers' Watchdog



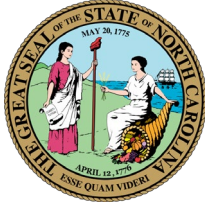
**Beth A. Wood, CPA**  
**State Auditor**

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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. Deborah Lamm, Interim President  
Roanoke-Chowan 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 Roanoke-Chowan 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 Roanoke-Chowan 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 Roanoke-Chowan Community College disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and is described in finding 1 in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 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. However, as discussed in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 deficiencies described in findings 2 and 3 are considered to be significant deficiencies in internal control over compliance.

### Roanoke-Chowan Community College's Response to Findings

The College's responses to the findings identified in our audit are included in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 Roanoke-Chowan Community College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

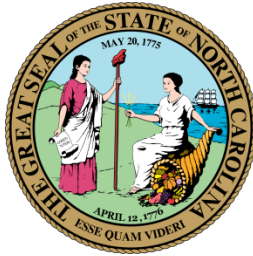
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 22, 2021



# **FINDINGS, RECOMMENDATIONS, AND VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE**

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

### **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 \$1 million in federal financial assistance funding to 289 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.

Four (7%) students were not reported in accordance with federal compliance requirements. Specifically:

- One student was not reported at all.
- Three students were reported with incorrect statuses.

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

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

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:* Federal Awarding Agency: U.S. Department of Education; CFDA Number (title): 84.063 (Federal Pell Grant Program) Federal Award Identification Number (award period): P063P193101 (July 1, 2019 - June 30, 2020).

*Recommendation:* College management should monitor submissions of student enrollment status changes submitted by the Clearinghouse to ensure they are reported timely and accurately to the NSLDS. College management should also implement monitoring procedures to ensure all students with enrollment status changes are identified and communicated to the appropriate parties.

*Views of Responsible Officials of the Auditee:* See pages 7-8 for Roanoke-Chowan Community College's response to this finding.

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<sup>1</sup> 34 CFR 690.83

<sup>2</sup> The College is required to notify the NSLDS when it discovers that a student who received 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 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. ERRORS IN RETURN OF TITLE IV FUNDS

The College incorrectly returned funds to the Title IV program (financial aid) after students supported by the program withdrew from school. Also, some funds were returned late. During the audit period, the College disbursed approximately \$1.1 million in financial aid to 289 students.

Auditors tested the return calculations for all 13 students that met the requirements and had Title IV calculations performed. Auditors found 6 students (46%) for which the amount returned was incorrect. For 5 (39%) of the 6 students, the College also returned the funds to the Title IV program late.

As a result, the College over returned \$1,707 to the Title IV program and returned \$2,905 between 22 and 130 days late. These funds could have been allocated to other students or used to reduce the cost of federal programs.

According to College management, the errors occurred because the Business Office did not have adequate procedures in place to ensure the correct amounts were returned to the Department of Education within 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, to ensure that Title IV funds are returned within a reasonable period of time, federal regulations<sup>4</sup> require schools to determine the withdrawal date in cases of unofficial withdrawals within 30 calendar days from the earliest of the end of (1) the payment period or period of enrollment, as applicable, (2) the academic year, or (3) the student's educational program.

*Federal Award Information:* Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.007 (Federal Supplemental Educational Opportunity Grants), 84.063 (Federal Pell Grant Program), Federal Award Identification Numbers (award period): P007A193155 (July 1, 2019 - June 30, 2020), P063P193101(July 1, 2019 - June 30, 2020).

*Recommendation:* College management should design and implement procedures that ensure the responsible personnel return the correct amounts on a timely basis.

*Views of Responsible Officials of the Auditee:* See pages 8-9 for Roanoke-Chowan Community College's response to this finding.

### 3. INFORMATION SECURITY PROGRAM DOES NOT MEET MINIMUM FEDERAL REQUIREMENTS

The College did not have a documented risk assessment over protecting students' financial aid information as required by federal regulations<sup>5</sup>. During the audit period, the

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

<sup>4</sup> 34 CFR 668.22(j)(2)

<sup>5</sup> 16 CFR 314.4



College disbursed approximately \$1.2 million in federal financial assistance to 289 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.

According to College management, the error occurred because responsible staff were unaware that federal regulations require a risk assessment that identifies risks to employee training and management over 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 documented risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

*Federal Award Information:* Federal Awarding Agency: U.S. Department of Education; CFDA Numbers (titles): 84.007 (Federal Supplemental Educational Opportunity Grants), 84.033 (Federal Work-Study Program), 84.063 (Federal Pell Grant Program), Federal Award Identification Numbers (award period): P007A193155 (July 1, 2019 - June 30, 2020), P033A203155 (July 1, 2019 - June 30, 2020), P063P193101 (July 1, 2019 - June 30, 2020).

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

*Views of Responsible Officials of the Auditee:* See pages 9-13 for Roanoke-Chowan Community College's response to this finding.



**Office of the President**

March 17, 2021

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

Dear Auditor Wood:

Thank you for your letter of March 4, 2021, indicating that the Office of the State Auditor had completed the federal compliance portion of the audit at Roanoke-Chowan Community College for the year ending June 30, 2020, in accordance with the Single Audit Act and the audit requirements.

Roanoke-Chowan Community College concurs with the three audit findings presented. The College is providing the following corrective action plans for the findings identified in the audit. The action plan includes the corrective actions planned, the anticipated completion date, and the contact information for the person responsible for implementing the corrective action.

**1. Enrollment Status Reporting Errors**

The College is strengthening its current procedure to monitor changes, knowing that there is a delay with posting enrollment status changes to both the National Student Clearinghouse (NSC) and National Student Loan Database System (NSLDS), and that the delay is putting the College out of compliance. The following updated procedures have been put in place to ensure that the College is compliant with the Federal regulations:

- The Office of the Registrar will provide the Financial Aid Office with enrollment status changes weekly. The Office of Financial Aid will update any changes in the NSLDS.
- The Office of the Registrar will work to put safeguards in place to monitor the submissions of the enrollment reports to NSC, including submitting files earlier and more frequently.
- The Office of the Registrar will provide a copy to the Financial Aid Office of the enrollment reports that are submitted to NSC. If further enrollment status updates are necessary, the Financial Aid Office will update changes in NSLDS.

- Once enrollment reports are submitted to NSC, if a NCS Student Status Confirmation Report (SSCR) Error Report is received, the Registrar will review and process the NSC SSCR Error Report corrections upon receipt of the report.

The Dean of Student Services, Registrar and Director of Financial Aid will oversee the development and implementation of the Enrollment Status Reporting procedures. Corrective action was completed on March 15, 2021.

## **2. Errors in Returns of Title IV Funds**

The errors in the Return of Title IV funds were the result of staff not running the Financial Aid posting process in a timely manner. Therefore, the reduction in student Financial Aid awards was not completed within 45 days, once the College became aware that students had withdrawn. The Financial Aid staff performed R2T4 within the 45-day time requirement, but the Financial Aid transmittal posting process was not completed by the Business Office staff as specified by College procedures. This oversight was due to the Business Office not having trained staff available to complete the Financial Aid posting process during the time period in which this error occurred.

R-CCC has now hired qualified staff to ensure that the Return to Title IV requirement is fulfilled. The College has also implemented a procedure in which electronic messages are sent from the Financial Aid Office to the Business Office when a Financial Aid transmittal posting needs to be completed, and the Business Office responds electronically to the Financial Aid Office, once the posting has been completed. If Financial Aid does not receive that confirmation within several days, the Financial Aid Office will follow-up with the Business Office to see if the posting process was completed.

The actual process for R2T4 is the following:

1. The Financial Aid Office (FAO) adjusts the student award by the amount to be returned by the College.
2. The FAO runs the Financial Aid Transmittal Report (FATR) for returns in the non-update mode.
3. The Business Office (BO) runs the FATR in the non-update mode to make sure it is the same FATR that the FAO sent to the BO.
4. If the FATR is unchanged, the BO runs the FATR in update mode.
5. The BO notifies the FAO that the FATR is complete.
6. The FAO sends FATR changes to the Department of Education (DOE) using CODE and notifies the student of the award change.
7. The BO returns funds using G5, if necessary. This step is only necessary if the College has already drawn down funds in excess of what is now showing as total expenses in the General Ledger (GL). Most colleges do not draw down all funds that they are allowed, in order to reduce concern about returning funds because of a R2T4 calculation.
8. The G5 authorization is reduced by the amount of the return based upon what is reported by CODE.

The Controller and the Director of Financial Aid will implement and supervise R2T4. Corrective action was completed on March 15, 2021.

### **3. Information Security Program Does Not Meet Minimum Federal Requirements**

An Informational Technology Security and Risk Assessment was completed by the NC Community College System Informational Technology Division at Roanoke-Chowan Community College in November 2020 to identify security and risk levels with the ongoing technology, to identify the disclosure of information, to put safeguards in place with the College to minimize disclosures, and to make recommendations for improvement.

The College outsourced most of its IT operating platforms and processes to the NC Community College Informational Technology Division last year. The System Office is responsible for the safeguarding of student data maintained in the Colleague databases with the College and instituting controls to minimize the risk of accidental disclosure of such data. These safeguards are being accomplished with stringent password controls (double password sign ons) and verifiable identities for access. The physical protection of such data remains the responsibility of the College.

The IT Division of the System Office and the College are in the process of developing a risk assessment program for safeguarding student financial data as well as employee and personal student information and the disclosure of such information as per the Family Education Rights and Privacy Act (FERPA) and the Gramm-Leach-Bliley Act (15 U.S. Code § 6801 *et seq.*, hereinafter “GLBA”). This process will involve employees in the Student Services and Business Office Division, who come into contact with such information. This process will become the College’s Informational Security Administration and Procedures. (See attached draft procedures.)

The first training will take place in Student Services to educate employees regarding the safeguarding of data as per GLBA. Using these initial training results, the College will establish a ‘base line’ to develop customized training programs for ongoing employee training. To ensure compliance with disclosure of information, the software KnowBe4 will be used as the training portion to familiarize employees with data protection. KnowBe4 was purchased by the NC Community College System Office in 2019 to be used by colleges in the system to help familiarize employees and students with ongoing training sessions regarding identify theft, cyber security threats, safeguarding sensitive information, password protection, ransomware, malware, and other vulnerable issues dealing with protected data. These training sessions will be individualized and conducted several times per year, specifically on Professional Development Days, which are designed for employees to complete trainings. Remedial training will also be offered, if needed.

The IT Division of the System Office will work with the College and the Systems Administrator in setting up the training sessions with Student Services and Business Office employees.

The annual trainings will ensure compliance with educating the workforce and the students.

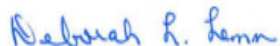
Students will also receive customized training similar to college employees, including password protection, identity theft, FERPA as it relates to students and families, and safeguarding personal information. These types of training will be conducted during student orientation and introduced in college preparatory courses, such as ACA 111 College Student Success.

The Vice President of Administrative and Fiscal Services will implement the risk assessment plan and supervise annual trainings. Corrective action was completed on March 15, 2021.

Roanoke-Chowan Community College is committed to compliance, in particular with requirements applicable to federal programs. The College also values the continuous improvement process, whereby staff routinely evaluate their processes and procedures and revise as necessary. The College welcomes the opportunity to improve its Financial Aid processes.

Please contact me if I can answer any questions or address any concerns.

Sincerely,



Deborah L. Lamm, Ed.D.  
Interim President

*Attachment:*

### **Roanoke-Chowan Community College Gramm-Leach-Bliley Act Information Security Program**

#### **Purpose**

Gramm-Leach-Bliley Act (15 U.S. Code § 6801 *et seq.*, hereinafter “GLBA”), require the College to ensure the security, integrity, and confidentiality of covered information and data, which includes student financial aid records and Information. *The College needs to be in compliance with the privacy provision of GLBA by its compliance with the Family Education Right and Privacy Act (FERPA).*

#### **Policy**

This Information Security Program ("Program") ensures that administrative, technical, and physical safeguards are implemented by the College to access, collect, distribute, process, protect, store, use, transmit, dispose of, or otherwise handle covered data and information in compliance with the FTC's Safeguards Rule (16 C.F.R. Part 314) promulgated under the GLBA. These safeguards are provided to:

- Ensure the security and confidentiality of covered data and information.
- Protect against any anticipated threats or hazards to the security or integrity of such information; and
- Protect against unauthorized access to or use of covered data and information that could result in substantial harm or inconvenience to any customer.

In compliance with GLBA and FTC final Safeguards Rule, the College shall appoint an Information Security Program Coordinator(s), conduct risk assessments of likely security and privacy risks, maintain a training program for all employees who have access to covered data and information, oversee service providers and contracts, and evaluate and adjust the Information Security Program periodically.

#### **Information Security Program Coordinator(s)**

The Director of Student Financial Aid, Director of Student Services, Dean of Student Services, Controller, and the Systems Administrator are the co-coordinators of this Program. The Director of Student Financial Aid and the Dean of Student Services are responsible for maintaining a program for the periodic training and awareness related to the handling and protection of information covered by this Program and oversee service providers and contractors. The Controller and Systems Administrator along with the NC Community College Informational Technology System Office will assist the Director of Student Financial Aid, Director of Student Services and the Dean of Student Services with a periodic risk assessment that will identify likely security and privacy risk to the covered data and provide a remediation plan for the identified risk.

The Director of Student Financial Aid, Director of Student Services and the Controller will maintain the artifacts related to periodic risk assessment and remediation and maintain training and awareness data provided to each relevant operation in Student Services and Student Accounts.

Director of Student Financial Aid, Director of Student Services and the Dean of Student Services are responsible for maintaining an ongoing program, coordinating with each relevant operation handling covered data, and ensuring training and awareness. Each operation may also assist with periodic risk assessments and implementation of certain risk assessment remediation and may assist with periodic review and input to this Program.

The Director of Student Financial Aid, the Director of Student Services, the Dean of Student Services, Controller, and the Systems Administrator will evaluate this Program periodically to make appropriate adjustments.

Employees in relevant operations receive proper training regarding the importance of safeguarding the confidentiality, security, and integrity of covered data (e.g., student records, student financial information), (FERPA), and regulations from the Department of Education. These employees are also trained on security measures, including the proper use of computer information and passwords, and incident response and breach notification procedures. Reports of these training efforts, which help minimize risk and safeguard covered data and information, are provided to Director of Student Financial Aid and the Director of Student Services.

#### **Identification and Assessment of Risks to Customer Information**

The Director of Student Financial Aid, the Director of Student Services assisted by the Controller and Systems Administrator, shall periodically conduct and document risk analysis consisting of, but not limited to the following:

- Asset Inventory –servers, desktops, and applications that contain covered data.
- Data criticality analysis
- Threat assessments including but not limited to the following:
  - Compromised system security as a result of system access by an unauthorized person
  - Deliberate network-based attacks or malicious software upload
  - Ransomware, rendering covered data unreadable or unusable.
  - Interception of covered data during transmission
  - Loss of covered data integrity
  - Lack of a clean desk policy
  - Inadvertent data entry
- Physical loss of covered data in a disaster (floods, earthquakes, tornados, electrical storms, etc.)
- Inaccessibility of covered data due to environmental factors (long-term power failure, pollution, chemicals, and liquid leakage)
- Errors introduced into the system.
- Corruption of data or systems
- Unauthorized access (intentional and unintentional) to electronic or hardcopy covered data and information by employees or others.
- Unauthorized requests for covered data and information
- Unauthorized transfer of covered data and information through third parties



- Third party vendors who process covered data and information not appropriately safeguarding covered data.
- Unsecure storage of covered data and information
- Failure to dispose of covered data and information in a secure manner.
- Design, implementation, and development of a risk mitigation strategy
- Maintain a written record of risk assessments and remediation.

# ORDERING INFORMATION

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

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**Internet:** <http://www.auditor.nc.gov/pub42/Hotline.aspx>

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



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This audit required 570 hours at an approximate cost of \$59,280.