



# **STATE OF NORTH CAROLINA**

## **SPECIAL REVIEW**

**PIEDMONT COMMUNITY COLLEGE**

**ROXBORO, NORTH CAROLINA**

**MARCH 2008**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

**SPECIAL REVIEW**

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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 Michael F. Easley, Governor  
Dr. H. James Owen, President, Piedmont Community College  
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute § 147-64.6(c)(16), we have completed our special review of Piedmont Community College. The results of our review, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with North Carolina General Statute § 147-64.6 (c) (12) which requires the State Auditor to provide written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee.

Respectfully submitted,

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

March 24, 2008

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## INTRODUCTION

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The Office of the State Auditor received an allegation that the Director of the Educational Opportunity Center (EOC) at Piedmont Community College (College) forced her staff members to submit false Annual Performance Reports to the U.S. Department of Education (DOE).

Our special review of these allegations included the following procedures:

- Examination of Annual Performance Reports for Fiscal Years Ended (FYE) 8/31/2006 and 8/31/2007.
- Examination of travel and other expense reimbursements submitted by the EOC Director.
- Review of EOC cellular telephone expenditures.
- Review of the current EOC grant awarded to the College.
- Interviews of College administrative and EOC staff.
- Physical inventory of EOC computer equipment.
- Correspondence with U.S. Department of Education officials.

This report presents the results of our special review. The review was conducted pursuant to North Carolina General Statute §147-64.6(c)(16). The Office of the State Auditor performs an annual financial audit of Piedmont Community College.

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## **ORGANIZATION OVERVIEW**

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Piedmont Community College (the College) was established in 1970 and began offering full-time curriculum courses in 1970. It is one of 58 institutions in North Carolina that operate under the authority of the North Carolina State Board of Community Colleges. The College's Board of Trustees oversees its operations at the institutional level. The College President and a group of senior administrators manage the College's day-to-day operations.

The College is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools. The College offers a wide variety of courses leading to diplomas and certificates. The College is an accredited member of the North Carolina Community College System, and the North Carolina State Board of Community Colleges has approved the programs offered by the College.

In the fall of 2007, the College enrolled 2,591 students in its courses and employed 91 full-time and 118 part-time faculty members. The College also maintained a staff of 117 administrative and technical employees to manage and support its operations. For the fiscal year ending June 30, 2007, the budgeted State appropriation to the College was \$14,734,608.

The College's Educational Opportunity Center (EOC) was established in the early 1980's. The EOC program provides counseling and information on college admissions to qualified adults who want to enter or continue a program of post-secondary education. The goal of EOC is to increase the number of adult participants who enroll in post-secondary education institutions. The College's EOC program is headed by a full-time Director with a staff of six counselors, an office assistant and a clerk typist/counselor aide.

The EOC is one of six federal TRIO Programs. Federal TRIO Programs are educational opportunity outreach programs designed to motivate and support students from disadvantaged backgrounds. Colleges across the nation compete for TRIO grants which are used to fund various TRIO programs by the U.S. Department of Education (DOE). The DOE funds 139 EOC's nationwide. The College's current TRIO grant funding is \$580,852 per fiscal year – which is used to pay for 100% of the EOC's operational expenses, including travel costs. As a condition of receiving the grant, the College's EOC, during each fiscal year through 2011, must serve 2,500 participants (two-thirds of whom are required to be potential first-generation college students and low-income individuals). In addition, the EOC is required to file a yearly "Annual Performance Report" which details participants served and project accomplishments during each fiscal year.



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## **FINDINGS AND RECOMMENDATIONS**

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### **1. THE EOC DIRECTOR SUBMITTED A FICTITIOUS HOTEL RECEIPT FOR \$1,646.87 TO THE COLLEGE FINANCIAL SERVICES OFFICE.**

Following the Educational Opportunity Center (EOC) staff retreat to Charleston, West Virginia in September 2005, the EOC Director filed a travel reimbursement request (voucher) with the College Financial Services Office (FSO). A review of the voucher by the FSO indicated that the Director's reported expenses were short \$1,646.87 and she would have to repay a portion of the previous advance of \$7,105.60 the Director had received for participant food costs. The Director insisted that the hotel made an error in the billing. Hotel management reviewed their files and submitted a copy of the entire hotel billing to EOC which indicated identical charges to their original billing. The College's FSO Director discussed the missing documentation with both the EOC Director and Office Assistant between October 2005 and January 9, 2006 when the "missing receipt" was faxed from the EOC to the FSO with no cover letter attached. The copy of the fictitious hotel receipt was inappropriately processed by the FSO and the travel voucher was processed and dated August 30, 2005. The Vice President for Administrative Services stated that it was the College's policy to require original lodging receipts for reimbursement. The original fictitious receipt was never secured by the FSO.

We contacted hotel representatives regarding the receipt and the \$1,646.87 charges in question. They confirmed the actual dates of the trip and stated that the receipt was not prepared by the hotel, and that the room was used by another group on the date in question.

When asked about the fictitious receipt, the EOC Director said that she had not prepared the "receipt" for \$1,646.87 which had been submitted to the FSO and did not know who had prepared it. The EOC Director, upon further questioning, stated that she could not prove that someone else had prepared the receipt, but added, "I guess I'll have to be responsible for the travel claim and repay the money."

### **RECOMMENDATION**

The College should reimburse the Federal TRIO grant program the \$1,646.87 secured improperly. In addition, the College should take appropriate disciplinary action against the Director. The College should also seek restitution from the Director. The College should initiate action to determine whether the Director's conduct constitutes a violation of North Carolina Criminal Statutes relative to obtaining property by false pretenses per North Carolina General Statute §14-100. The College should also reiterate to the Financial Services Office the requirement for travelers to provide original documentation for lodging expense reimbursement per North Carolina General Statute §138-6(c).

Note: Finding referred to the District Attorney for North Carolina Judicial District 9-A and the North Carolina State Bureau of Investigation.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **2. INELIGIBLE FAMILY MEMBERS OF EOC STAFF AND TRIO PARTICIPANTS ATTENDED EOC STAFF RETREATS/CULTURAL ENRICHMENT ACTIVITIES.**

The College EOC and its Director sponsored staff retreats/cultural enrichment activities at out-of-state locations August 31-September 5, 2005 (Charleston, West Virginia) and June 28 – July 3, 2006 (Memphis, Tennessee). The Director invited 46 (total for 2005 plus 2006) family members of EOC staff and TRIO participants. The additional expenditures for the family members' lodging, food, transportation and entertainment costs totaled \$5,022.55 for the 2005 retreat and \$2,645.78 for the 2006 retreat.

The EOC Director stated she felt it was very important for family members to be involved in the participant's pursuit of post-secondary education. However, per federal guidelines [34 Code of Federal Regulations (CFR) Part 644.30(a)] and U.S. Department of Education (DOE) official confirmation, staff retreat or cultural enrichment activities for the families of EOC staff members or families of TRIO participants are not allowable TRIO program costs. As a result, the EOC violated federal guidelines.

### **RECOMMENDATION**

The College should reimburse the Federal TRIO grant program funds totaling \$7,668.33.

### **3. THE ANNUAL PERFORMANCE REVIEW (APR) SUBMITTED BY THE COLLEGE'S EOC TO THE U.S. DEPARTMENT OF EDUCATION FOR FISCAL YEAR SEPTEMBER 1, 2006 – AUGUST 31, 2007 INCLUDED INELIGIBLE INDIVIDUALS.**

An EOC "TRIO participant" is an individual who: (1) is determined to be eligible to participate in the project under section 34 CFR 644.3; and (2) receives project services. Only those participants who were served during the current APR period are counted. A new participant is one served for the first time during the budget period. A continuing participant is one who was served by the project for the first time in another budget period and who received services during this budget period. In addition, at least two-thirds of project participants each year must be both low-income and potential first-generation college students; the remaining participants can be either low income individuals, potential first-generation college students, or any individuals in need of services.

We selected a random statistical sample of 80 "TRIO participants" reported on the APR for FYE 8/31/2007. Our review of the APR and participant files revealed the following inconsistencies:

- Thirty-eight (47.5%) participant follow-up contacts were not made (during the program year between 9/1/2006 and 8/31/2007).
- Nine (11.25%) participant eligibility codes were incorrect.
- Five (6.25%) participant files could not be located.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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- Two (2.5%) participants' TRIO entry dates were after 8/31/2007, the program cut-off date.

The U.S. Department of Education's General Administrative Regulations (EDGAR) 34 CFR 75.700 requires that a grantee be in compliance with statutes, regulations and its funded application. The College's EOC funded application indicated that the project would serve 2,500 participants annually. The sample results show that 45 of 80 (56.25%) participants reviewed in our sample were not eligible.<sup>1</sup> Also, the EOC is not in compliance with 34 CFR 644.32(c) because five participant files could not be located. Therefore, the APR did not accurately reflect project achievements.

The inaccurate information was reported under the direction of the EOC Director. When asked about the reporting of the inaccurate information, the EOC Director said it was her past policy to include follow-ups made after the close of the fiscal year, such as from September 1<sup>st</sup> until December 31<sup>st</sup> or the due date of the APR (in this instance, December 14, 2007). However, the APR instructions provided to grantees is clear when defining who a "participant" is and who should be included in the report.

Per the APR certification page, "any person who knowingly makes a false statement or misrepresentation on this report is subject to penalties which may include fines, imprisonment, or both, under the United States Criminal Code and 20 U.S.C. 1097. Further Federal funds or other benefits may be withheld under this program unless this report is completed and filed as required by existing law (20 U.S.C. 1231a) and regulations (34 CFR 75.590 and 75.720)." Given the clear APR instructions, it appears the Director intentionally overstated program participants to meet project goals.

### **RECOMMENDATION**

The College, as grantee, should instruct the EOC Director to comply with statutes, regulations, and its funded application by filing the APR with accurate information and to ensure services are properly documented and reported on a timely basis. The College should contact the U.S. DOE to get instructions for resubmitting the corrected 2006 – 2007 APR (in hardcopy per U.S. DOE officials). We recommend the College take appropriate disciplinary action against the EOC Director.

#### **4. THE EOC DIRECTOR'S SON AND DAUGHTER-IN-LAW WERE INCLUDED AS TRIO PARTICIPANTS IN THE APR FOR FYE 8/31/2007 WITHOUT DOCUMENTATION TO INDICATE THEIR ELIGIBILITY OR SERVICES RECEIVED.**

Per federal Department of Education TRIO guidelines, any new, existing, or prior year participant must receive services on or before the program year end to meet the regulatory definition of participant for the budget period. As a result, it is appropriate to exclude from

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<sup>1</sup> Our random statistical sample enables us to project that 1,406 of the 2,500 participants indicated in the APR were ineligible to be considered TRIO participants during the 8/31/2007 fiscal year.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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consideration as participants for the budget period any new or prior year participants who did not receive services between 9/1/2006 and 8/31/2007.

Also, the federal program regulations for the EOC Program [34 CFR 644.32(c)] require the grantee to maintain a record of the following for each participant:

- The basis for the grantee's determination that the participant is eligible to participate in the project under 34 CFR 644.3
- The services provided to the participant
- The specific educational progress made by the participant as a result of the services.

Our review revealed the EOC Director's son and daughter-in-law were listed as TRIO participants for the fiscal year ending 8/31/2007. However, the EOC TRIO participant database indicated that the "entry date" for both the EOC Director's son and daughter-in-law was June 7, 2005. The counselor aide, who is charged with recording all TRIO participant information into the database, said that she had never entered the "entry date" or any other information for the EOC Director's son and daughter-in-law into the database. The counselor aide further stated that she had never seen the files, which the EOC counselor provided to us, until requested by the investigator in early January 2008.

The EOC Director stated, prior to our review of the APR participant list for fiscal year ending 8/31/2007, that some of the participant files stored in the EOC vault had been removed by someone -- possibly an EOC counselor. However, she had said previously that only she and the counselor aide had access to the vault.

The EOC counselor for Alamance and Orange counties provided us the files and said that she could not remember when she had provided services to the EOC Director's son and daughter-in-law. She could not remember why the date on the participant "intake forms" had been changed from "June 2007" to "June 2005" and then to "June 2006." In addition, the EOC counselor could not remember why the other TRIO/EOC forms indicating services provided were not dated, other than to say she did not know the dates of service. The counselor then admitted that she had not maintained any TRIO files for the two individuals and that the EOC Director had given her the completed "intake forms" a "few months ago." She said that she did not know who had prepared the "intake forms;" however, the EOC counselor completed the other TRIO forms, without talking to the son and daughter-in-law, and had not dated them. The EOC Director's son and daughter-in-law resided in the counselor's assigned coverage area and the counselor would be the person responsible for providing services and maintaining their files.

### **RECOMMENDATION**

The College, as grantee, should instruct the EOC Director to include only legitimate participants in the APR. The College should consider implementing an internal control process to verify the accuracy of the report prior to submission to the U.S. DOE. The College should take disciplinary action against the EOC Director.

## **FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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### **5. THE EOC DIRECTOR'S SON WAS ALLOWED TO KEEP AND USE A CELL PHONE PURCHASED AND MAINTAINED WITH TRIO GRANT FUNDS.**

The EOC Director used TRIO grant funds to secure 17 cellular telephones and wireless service agreements in August 2005. The EOC Director provided her son the use of one of these cellular telephones. This cell phone has cost over \$1,700 from contract inception through December 2007, all of which has been paid with TRIO grant funds.

The EOC Director said that she loaned the telephone to her son to use since he and his wife "are still EOC clients." She further stated she loaned her son the telephone "so that I could reach (her son), because I was out of town and could not be reached. He has the phone at those times so that I can reach him at all times." Available documentation secured for the period June 2007 through December 2007 indicates that the Director's son used the telephone daily.

Documentation presented to prove the Director's son and his wife are (and have been) TRIO participants is questionable. They were not listed on the APR's for FYE 8/31/2005 and 8/31/2006 and the EOC's database has a questionable TRIO "entry date" of June 7, 2005. (See Finding # 4)

There is no legitimate reason for the personal use of TRIO-funded cellular telephones and the associated costs are non-program related expenditures. Further, the EOC Director abused her authority by providing program-funded equipment to family members.

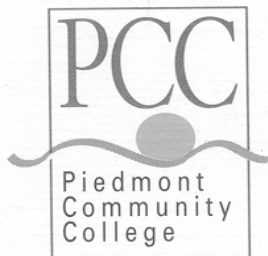
### **RECOMMENDATION**

The College should control the personal use of the EOC cellular telephones purchased and maintained with TRIO grant funds. The College should assign the duty of reviewing the use of cellular telephones and their associated billings to an individual external to the EOC. In addition, the College should take disciplinary action against the EOC Director.

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## RESPONSE FROM PIEDMONT COMMUNITY COLLEGE

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March 10, 2008

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor  
Office of the State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Re: Special Review – Piedmont Community College, March, 2008

Dear Mr. Merritt:

This acknowledges receipt of the above referenced document. The College agrees with all the findings and recommendations presented by the State Auditor's Office. We appreciate the efforts and cooperative spirit exhibited by the staff of the State Auditor's Office in conducting this special review.

Based upon our careful review, the College respectfully provides the following responses regarding your office's findings and recommendations:

**1. The EOC Director submitted a fictitious hotel receipt for \$1,646.87 to the College Financial Services Office.**

**Procedural Change**

- All EOC travel requests will be reviewed by the Dean, Student Development in more meticulous detail before being forwarded to the Vice President, Instruction and Student Development.
- When possible, all travel requests will be directly paid to the vendor instead of by cash advance to the employee.
- The Vice President, Administrative Services sent an Email on February 28, 2008 reminding all College personnel that all lodging/travel receipts must be originals in keeping with North Carolina General Statute.

**Disciplinary Action**

- The College will reimburse the Federal TRIO Grant Program the \$1,646.87 secured improperly.
- The Director will personally repay the College the \$1,646.87.
- The EOC Director has resigned effective March 31, 2008. She will be on annual leave until that date.
- The extent of Criminal prosecution will be determined in consultation with the local District Attorney and law enforcement Officials. The College will cooperate in any criminal investigation.



**2. Ineligible family members of EOC staff and TRIO participants attended EOC staff retreats/cultural enrichment activities.**

Procedural Change

- Family members of staff or participants will not be allowed to travel on EOC sponsored events.
- All future travel/retreat requests will be submitted at least two weeks in advance to allow for careful review of planned expenses.

Disciplinary Action

- The College will repay the TRIO grant program \$7668.33.

**3. The Annual Performance Review (APR) submitted by the College's EOC to the U.S. Department of Education for fiscal year September 1, 2006-August 31, 2007 included ineligible individuals.**

Procedural Change

- The College, as grantee, will re-emphasize to the EOC Director and staff the importance of complying with statutes, regulations, and its funded application by filing the APR with accurate information and insuring that services are properly documented and reported on a timely basis.
- The College will contact the U.S. DOE for instructions for submitting the corrected hardcopy of the 2006-2007 APR.

Disciplinary Action

- The EOC Director has resigned effective March 31, 2008. She will be on annual leave until that date.

**4. The EOC Director's son and daughter-in-law were included as TRIO participants in the APR for FYE 8/31/2007 without documentation to indicate their eligibility or services received.**

Procedural Change

- A monthly review of all program participant folders will be included as part of the monthly EOC staff meeting.
- Monthly progress reports will be required for each counselor. These reports will be reviewed by the Dean, Student Development.
- A 6-month preliminary report will be provided to the Dean, Student Development for review of data to be included in the APR report.
- The APR report will be completed by November 30 of each year to allow sufficient time for College officials to review the results of the report prior to submission.
- An internal audit of the APR data will be conducted annually by personnel familiar with the process, but not a member of the EOC staff. The Dean, Student Development, will be responsible for the internal audit of the APR.

Disciplinary Action

- The EOC Director has resigned effective March 31, 2008. She will be on annual leave until that date.

**5. The EOC Director's son was allowed to keep and use a cell phone purchased and maintained with TRIO grant funds.**

Procedural Change

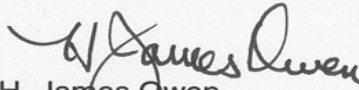
- All phones will be returned immediately to the Dean, Student Development for inventory. Phones subsequently will be reissued to counselors and administrative personnel only.
- All cell phones will be issued to assigned personnel, used exclusively by those individuals, and restricted to business use only.
- Quarterly review of phone usage will be conducted by the Dean, Student Development.

Disciplinary Action

- The EOC Director has resigned effective March 31, 2008. She will be on annual leave until that date.

The College has an outstanding financial history. It has received an unqualified opinion on its financial statements and no audit findings for the past twelve years. The College feels that this was an isolated incident and that the specific internal control measures stated above will prevent its recurrence.

Sincerely,



H. James Owen  
President

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## **ORDERING INFORMATION**

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Copies of this report may be obtained by contacting the:

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