

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

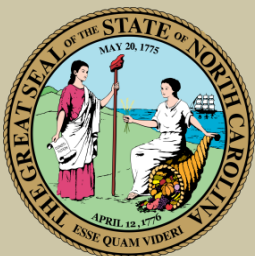
BETH A. WOOD, CPA



ROANOKE-CHOWAN COMMUNITY COLLEGE

AHOSKIE, NORTH CAROLINA

INVESTIGATIVE REPORT
JULY 2021



NC OSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor (OSA) received 15 allegations concerning Roanoke-Chowan Community College (College). OSA determined that a significant number of allegations questioned the appropriateness of operational and management decisions. OSA focused its investigation on fraud, waste, and abuse allegations.

BACKGROUND

The College is located in Hertford County. It has 20 curricular programs in which students may seek degrees, diplomas, and short-term, skills-based certificates. From August 2019 to April 2021, the College had two interim presidents.¹ On May 1, 2021, the College hired a permanent President.²

KEY FINDINGS

- The College issued checks totaling \$10,305,204 with invalid signatures.
- The College paid employees \$45,008 in unallowed salaries.
- The College submitted retirement contributions after deadlines incurring \$3,564 in penalties.

KEY RECOMMENDATIONS

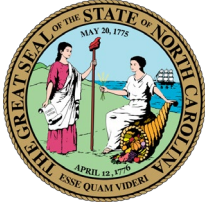
- The Board of Trustees should ensure that the College President is fulfilling her responsibilities to the College's operations and management.
- The College President should implement processes to ensure the signatures on the checks are updated timely when turnover occurs.
- The College President should seek reimbursement for the unallowed salaries.
- The College President should ensure the College submits its retirement contributions to State Retirement timely.

Key findings and recommendations are not inclusive of all findings and recommendations in the report.

¹ The first interim President served from August 2019 to July 2020. The second interim President served from August 2020 to April 2021.

² www.roanokechowan.edu/college-history

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Dr. Murray J. Williams, President, Roanoke-Chowan Community College

Ladies and Gentlemen:

Pursuant to *North Carolina General Statutes §147-64.6(c)(16)* and *§147-64.6B*, we have completed an investigation of allegations concerning Roanoke-Chowan Community College. The results of our investigation, 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 *G.S. §147-64.6(c)(12)*. We appreciate the cooperation received from the management and employees of Roanoke-Chowan Community College during our investigation.

Respectfully submitted,

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

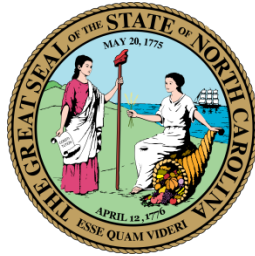
Beth A. Wood, CPA
State Auditor



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

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BACKGROUND

The Office of the State Auditor (OSA) received 15 allegations concerning Roanoke-Chowan Community College (College). OSA determined that a significant number of allegations questioned the appropriateness of operational and management decisions. OSA focused its investigation on fraud, waste, and abuse allegations.

Our investigation of these allegations included the following procedures:

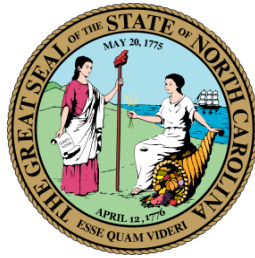
- Review of *North Carolina General Statutes*, North Carolina Administrative Code, College Board of Trustees' meeting minutes, and College policies and procedures
- Examination and analysis of available documentation related to the allegations
- Interviews with the College's former and current personnel

This report presents the results of the investigation. The investigation was conducted pursuant to *North Carolina General Statutes* §147-64.6(c)(16) and §147-64.6B.

The College is located in Hertford County. It has 20 curricular programs in which students may seek degrees, diplomas, and short-term, skills-based certificates. From August 2019 to April 2021, the College had two interim presidents.³ On May 1, 2021, the College hired a permanent President.⁴

³ The first interim President served from August 2019 to July 2020. The second interim President served from August 2020 to April 2021.

⁴ www.roanokechowan.edu/college-history



FINDINGS AND RECOMMENDATIONS

1. THE COLLEGE ISSUED CHECKS TOTALING \$10,305,204 WITH INVALID SIGNATURES

Roanoke-Chowan Community College (College) issued checks totaling \$10,305,204 with invalid signatures. As a result, there was an increased risk of fraud for the College. The checks with invalid signatures were issued and not detected because the College did not have policies and procedures in place to detect that the checks contained signatures of former employees. The College's policy requires signatures of the current President and Chief Financial Officer (CFO) on checks issued by the College.

Invalid Signatures on Checks

From August 2019 to August 2020, the College issued 2,644 checks totaling \$10,305,204 with digital signatures of the former President⁵ and former Controller,⁶ even though they were no longer employed by the College.

The College used digital signatures to sign checks after the checks were approved by the Controller. When turnover occurred, it was the responsibility of the CFO to update the digital signatures to reflect the names of the current employees. However, the CFO position was vacant during this time.

According to the former interim President, she became aware of the invalid signatures in January 2020 after she filled the Controller position. However, the signatures were not updated until August 2020.

The former interim President stated that when she went to the bank to update the signature card, she thought the bank would also change the College's digital signatures on the checks. However, updating the digital signatures is the responsibility of the College's CFO, and not the bank.

Resulted in Increased Risk of Fraud

As a result of the College issuing checks with invalid signatures, the College was at risk of fraud in which invalid checks and other financial documents can be issued and endorsed without the College's knowledge.

Caused by Lack of Risk Assessment

The checks were issued with invalid signatures because the College did not have policies and procedures in place to detect that the checks contained signatures of former employees. The former interim President failed to perform a risk assessment to determine the impact of vacated key positions, such as the CFO.

Best practices identified by the Government Accountability Organization recommend that the President define succession and contingency plans for **key roles** to help the College continue

⁵ The former President resigned effective July 31, 2019.

⁶ The former Controller, who resigned effective September 30, 2019, signed checks because the CFO position was vacant.

achieving its objectives.⁷ Further, the President of the College is responsible for the administration of the College, including the proper **operation** and management.⁸

According to the former interim President, she did not fill **key roles** critical to the College's financial **operation**. Specifically, the CFO position was vacant between September 2019 and June 2020, and the Controller position was vacant between October 2019 and January 2020. Because the President did not fill these positions and did not perform the risk assessment to determine the impact of the vacated key positions, the checks continued to be issued with invalid signatures until August 2020.

Policy Required Valid Signatures

The College's *Signing Authority Policy* states the following:

The President and Dean of Administrative & Fiscal Services/CFO shall have the authority to sign checks and other financial documents and reports for the financial operation of the College.

RECOMMENDATIONS

The Board of Trustees should ensure that the College President is fulfilling her responsibilities to the College's **operations** and management.

The College President should ensure key positions are filled timely.

The College President should implement processes to ensure the signatures on the checks are updated timely when turnover occurs.

2. THE COLLEGE PAID EMPLOYEES \$45,008 IN UNALLOWED SALARIES

Roanoke-Chowan Community College (College) overpaid the salary of three employees. As a result, the College incurred unallowed expenses of \$45,008 that could have been used for business purposes. These overpayments occurred and were not detected because of a lack of oversight by the former interim President. The College's policy stipulates that employees are to be paid the monthly salary included in their employment contract.

Overpayments to Employees

From February 2020 to May 2020, the College overpaid the salary of three employees for a total of \$45,008.

Each of these three employees were paid for two positions at the same time – (1) their former position and (2) their new position. When the employees were placed into the new position in *Colleague*, the College's Human Resources System, they were not automatically or manually removed from the old position. Therefore, they received the salary for both positions.

⁷ United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, September 2014, ¶ 4.08.

⁸ *Policies of the Board of Trustees*, Number 2.4, Internal Organization.

Specifically:

- One employee's title changed from Director of Information Services to Dean of Information Services in January 2020 due to additional duties being assigned. She was overpaid a total of \$20,008.
- One employee was promoted to Facilities Director in January 2020. He was overpaid a total of \$18,500.
- One employee's title changed from Graphics Designer to Assistant Controller in January 2020 due to additional duties. She was overpaid a total of \$6,500.

Further, the employees were not required to repay the overpayments once it was brought to the former interim President's attention. She stated that she did not require repayment because the overpayments were the College's mistake.

Resulted in Unallowed Expenses

As a result of the College overpaying the employees, the College incurred excess expenses of \$45,008 that could have been used for business purposes.

Caused by Lack of Oversight by the Former Interim President

The overpayments occurred because the former interim President (in place at the time of the overpayments) did not provide oversight of the Human Resources Director.⁹

According to the former interim President, the Human Resources Director at the time of the payments lacked experience and was not familiar with *Colleague*. The Human Resources Director was hired in November 2019 and made these changes to the system in February 2020.

Despite knowing the Human Resources Director lacked experience, the President did not put any protocols in place to ensure there were no errors in the personnel and payroll processes.

The former interim President said she was made aware of the errors in March 2020. However, the employees' salaries were not corrected until May 2020.

College Policy Stipulates Employees' Salaries

The College's *Policy Manual* states that an employee's contract include the monthly salary that the employee is to be paid. Specifically, the policy states:

All [employment] contracts shall include the monthly and annual salary.

Any deviations from the salary in the contract would be in violation of the contract and the College's policy.

RECOMMENDATIONS

The College President should seek reimbursement for the unallowed salaries.

⁹ The Human Resources Director position reports directly to the College President.

The College President should provide oversight of all functions of the College, including the Human Resources function.

The College President should ensure employees are properly trained for their job functions, including training on the systems used to perform their job.

3. THE COLLEGE SUBMITTED RETIREMENT CONTRIBUTIONS AFTER DEADLINES INCURRING \$3,564 IN PENALTIES

Roanoke-Chowan Community College (College) submitted retirement contributions to the State Retirement System after the deadlines. As a result, the College incurred \$3,564 in late penalty fees. The retirement contributions were submitted late because the former interim President failed to fulfill her responsibilities for the proper operation and management of the College. The North Carolina Administrative Code requires timely submissions of the retirement contributions.

Late Submission of Retirement Contributions

From November 2019 to May 2020, the College submitted retirement contributions to the State Retirement System after the deadline for five pay periods.

The College is required to submit payments to the State Retirement System on behalf of all eligible employees. For each eligible employee, the College submits both the employee portions (withheld from paychecks) and employer portions of the retirement contributions. The North Carolina Administrative Code establishes the timeframe by which the contributions must be submitted.

During the period noted, the retirement contributions were submitted to the State Retirement System between 7 and 68 days after the deadline.

Resulted in Late Penalty Fees

As a result of the College submitting the retirement contributions late, it incurred \$3,564 in late penalty fees. These funds could have been used for valid business purposes.

Caused by Former Interim President Not Fulfilling Her Responsibilities

The retirement contributions were submitted late because the former interim President failed to fulfill her responsibilities. The President of the College is responsible for the administration of the College, including proper **operation** and management.¹⁰

According to the former interim President, she did not fill key positions critical to the College's financial **operation** with experienced staff. Specifically, the position responsible for submitting the retirement contributions was vacant and was later filled by an employee with no experience.

The Assistant Controller position is responsible for processing the College's payroll and submitting the retirement contributions to the State Retirement System. This position was vacant from July 2019 to January 2020.

¹⁰ *Policies of the Board of Trustees*, Number 2.4, Internal Organization.

According to the former interim President, during this time, the College did not have anyone “doing those functions,” and the College was “desperate to find anyone at the College who had expertise with technology and could learn the system and be able to do the things to get them on track.”

In January 2020, the former interim President promoted the graphic designer/webmaster to the Assistant Controller position. According to this employee’s employment application, she did not have any bookkeeping or payroll experience, as required for the Assistant Controller position.

NC Administrative Code Requires Timely Submissions of Retirement Contributions

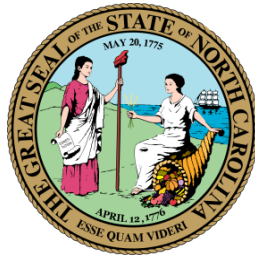
The North Carolina Administrative Code states the following:

Both the employee and employer contributions are due in the Raleigh offices of the Retirement System no later than the fifth State government working day of the month succeeding the month for which the contributions are required. Contributions received after the fifth State government working day of the month are delinquent.

RECOMMENDATIONS

The College President should ensure key positions are filled timely with qualified employees.

The College President should ensure the College submits its retirement contributions to the State Retirement System timely.



RESPONSE FROM ROANOKE-CHOWAN COMMUNITY COLLEGE

P.O. Box 1248
109 Community College Road
Ahoskie, North Carolina 27910



Office of the President

July 22, 2021

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:

Thank you for your email of July 8, 2021, indicating that the Office of the State Auditor had completed the investigative report related to allegations concerning Roanoke-Chowan Community College from August 2019 through August 2020.

Roanoke-Chowan Community College concurs with the report findings and recommendations presented. When the College was made aware of these issues in August 2020 by the interim president, the College immediately began the process of taking action to rectify these issues. The following narrative shows the corrective actions that the College has taken and/or will take related to the findings and recommendations identified in the report.

Findings:

The College issued checks totaling \$10,305,204 with invalid signatures.

The College agrees with the audit finding provided by the Office of the State Auditor. The College has taken measures to ensure that all future checks have valid signatures. To ensure that all checks have the appropriate signatures, especially after the president and/or chief financial officer's departure from the College, the following measures will take place: (1) Upon departure of the president, the College, via the chief financial officer, will provide the signature of the interim president to Softdocs, Inc., the software that Roanoke-Chowan Community College uses for signature imprint, within five business days. (2) Upon departure of the chief financial officer, the College, via the president's office, will provide the signature of the interim chief financial officer to Softdocs, Inc. within five business days. (3) Upon departure of the president and chief financial officer, the College, via the president's office, will provide the signature of the interim president and interim chief financial officer to Softdocs, Inc. within five business days. In the event there is no interim chief financial officer, then the president or interim president would appoint someone else to be the counter signee on checks and bank accounts. Once the chief financial officer position is filled, then the president would initiate a change to include the new chief financial officer. All signatory authorities are processed through Softdocs, Inc., to create the signature imprints on checks, purchase orders, and transcripts.

The College paid employees \$45,008 in unallowed salaries.

The College agrees with the audit finding provided by the Office of the State Auditor. The College has taken measures to ensure that all salaries paid to employees are allowable. To ensure that all salaries paid to employees are allowable, the College has implemented the following process: The College's human resources office has adopted the use of Personnel Action Forms for all new transactions for employee promotions, salary changes, budget code changes, employee lateral transfers, and supervisor changes. The form allows the human resources office to ensure that all employee transactions and changes have been approved to ensure that no employee changes are bypassing the human resources office and going directly to the payroll office.

With the adoption of this practice, the employee transaction must have two levels of approval from the division vice president and the president. Through the implementation of this practice, the human resources office can prepare a packet with all supporting documentation for the employee transaction, such as a salary computation worksheet as well as email and payroll authorization forms, which are included in the employee packet should an employee file need to be reviewed at a future date.

The College submitted retirement contributions after deadlines incurring \$3,564 in penalties.

The College agrees with the audit finding provided by the Office of the State Auditor. The College has taken measures to ensure that all future retirement contributions are submitted before the deadline. To ensure that all future retirement contributions are submitted before the deadline, personnel responsible for submitting the retirement contributions will follow the process below:

The payroll technician generates the dollar amount sent to the NC Retirement System via Colleague. The payroll technician creates the retirement system file and reports the amount to the System office. The payroll technician completes the NC Orbit report and uploads the file. The Controller validates the process to produce the retirement system allocation.

These steps are reviewed during the NCCCS System office monthly reconciliation process (112 Report generated by Colleague) where all state transactions are validated. The checks are produced for state agencies during the review process and the Controller remits all checks and sends the package to the NCCCS System office to ensure completion. The 112 monthly reconciliation report is approved by the chief financial officer and president. The controller also includes the retirement check in the package. This package is usually sent via federal express to the System office before the deadline.

Recommendations:

The Board of Trustees should ensure that the College President is fulfilling her responsibilities to the College's operations and management.

The Roanoke-Chowan Community College's Board of Trustees holds the College's president solely responsible for the College's operations and management. As such, the president is required to provide the Board of Trustees monthly updates regarding the College's operations and management. These updates include, but are not limited to, personnel, facilities, budgets, academic programs, and enrollment. The Board of Trustees further holds the College's president responsible for the College's operations and management by delineating to the president its expectations of the president's performance in key areas of the institution. The Board of Trustees holds the president accountable for meeting these expectations through regular performance evaluations.

The College President should ensure key positions are filled timely.

The president ensures key positions are filled in a timely manner. Upon notification of a vacancy by the hiring manager, the human resources department begins the new recruitment for a vacant position. The human resources director meets with the hiring manager to discuss the details of the position including the minimum qualifications to be included in the posting. The position is posted in ApplicantOne, the College's approved applicant tracking system. For internal postings, the position is posted for 7 calendar days. For external postings, the position is posted for up to 30 days, or longer if necessary. After a position has been posted the required number of days, the hiring manager works with the human resources director to select qualified candidates, schedule interviews with the candidates, and select the most qualified candidate for a vacant position.

The College President should implement processes to ensure the signature on the checks are updated timely when turnover occurs.

The College has taken measures to ensure that all future checks have valid signatures. To ensure that all checks have the appropriate signatures, especially after the president and/or vice president's departure from the College, the following measures will take place: (1) Upon departure of the president, the College, via the chief financial officer, will provide the signature of the interim president to Softdocs, Inc., the software that Roanoke-Chowan Community College uses for signature imprint, within five business days. (2) Upon departure of the chief financial officer, the College, via the president's office, will provide the signature of the interim chief financial officer to Softdocs, Inc. within five business days. (3) Upon departure of the president and chief financial officer, the College, via the president's office, will provide the signature of the interim president and interim chief financial officer to Softdocs, Inc. within five business days. In the event there is no interim chief financial officer, then the president or interim president would appoint someone else to be the counter signee on checks and bank accounts. Once the chief financial officer position is filled, then the president would initiate a change to include the new chief financial officer. All signatory authorities are processed through Softdocs, Inc. to create the signature imprints on checks, purchase orders, and transcripts.

The College President should seek reimbursement for the unallowed salaries.

The College will communicate via written correspondence with the three individuals who were erroneously paid and request reimbursement for the unallowed salaries.

The College President should provide oversight of all functions of the College, including the Human Resources function.

The College president provides oversight for all functions of the College. In the College's organizational structure, three vice presidents (vice president of administrative services, vice president of external affairs, vice president of instruction and student services) report directly to the president. All employees of the College, except for the employees in the president's office, report directly to these three vice presidents. The College's human resources function reports directly to the vice president of administrative services. As such, the president has oversight for the human resources function via the vice president of administrative services.

The College President should ensure employees are properly trained for their job functions, including training on the systems used to perform their job.

The College president ensures that employees are properly trained for their job functions, including training on the systems used to perform their job. The president ensures that new employees have the appropriate training for their roles through various methods. Human resources provides an orientation for all new employees that apprises them of the College's policies and procedures. This orientation is also followed by a meeting with the supervisor in which job-specific duties are reiterated and expectations clearly defined. The performance expectations are codified, and a standard rating sheet is also provided. Employees have a meeting with the supervisor at the outset of each year, a mid-point check-in, and a final review at year's close.

In addition, all new employees are given a ninety (90) day probationary period. Their abilities are assessed at the end of the period and a recommendation is made for sustained employment, remediation, or dismissal. This review process ensures that the College is holding employees accountable for performing their jobs effectively.

Employees participate in Opening Days professional development at the beginning of each academic year. These sessions include general training and division-specific sessions (e.g., recruiting for Student Services).

Further, training needs are handled on a case-by-case basis, addressing the specific performance gaps of individuals. The individualized methods include, but are not limited to, mentorships, new faculty seminars, participation in state and regional associations, and North Carolina Community College System training sessions.

The College President should ensure key positions are filled timely with qualified employees.

The president ensures key positions are filled timely with qualified employees. Upon notification of a vacancy by the hiring manager, the human resources department begins the new recruitment for a vacant position. The human resources director meets with the hiring manager to discuss the details of the position including the minimum qualifications to be included in the posting. The position is posted in ApplicantOne, the College's approved applicant tracking system.

For internal postings, the position is posted for 7 calendar days. For external postings, the position is posted for up to 30 days, or longer if necessary. All new recruitments are sent out by email to all R-CCC faculty and R-CCC staff. The new recruitment is sent out in the cc-personnel listserv containing all HR employees of the 58 community colleges. The new position is also posted on the North Carolina Community College System website. As resumes are received, the qualifications, education, and experience of applicants are reviewed by the human resources director and the hiring manager to ensure that the qualifications, education, and experience of the applicants matches with the qualifications, education, and experience needed in the vacant position. Once qualified applicants are selected, the hiring manager works with the human resources director to schedule interviews and select the most qualified candidate for a vacant position.

The College President should ensure the College submits its retirement contributions to State Retirement timely.

Retirement contributions are submitted to the State Retirement System monthly via 112 monthly reconciliation report. This report is due by the fifth or sixth business day of the month. The chief financial officer submits the report to the president's office for signature by the fourth or fifth business day of the month to ensure that the College submits the report to the System office by the designated monthly deadline.

Roanoke-Chowan Community College is committed to operational and managerial excellence. The College is also committed to making improvements in its processes to better serve its internal and external constituencies. The College welcomes feedback from both internal and external constituencies to improve its processes.

Please contact me at mjwilliams@roanokechowan.edu or (252) 862-1308 if I can answer any questions or address any concerns.

Sincerely,



Murray J. Williams, Ed.D.

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



This investigation required 319.5 hours at an approximate cost of \$33,228.