

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

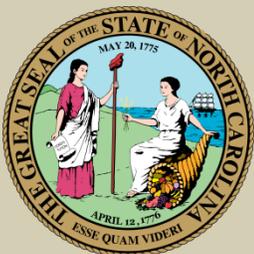


BEAUFORT COUNTY COMMUNITY COLLEGE

WASHINGTON, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017



NC  **OSA**
The Taxpayers' Watchdog

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
Board of Trustees
Dr. David R. Loope, President
Beaufort County Community College

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at Beaufort County Community College for the year ended June 30, 2017. We conducted our audit 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). Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

Our audit objective was to render an opinion on the State of North Carolina's major federal programs and not the College's administration of major federal programs. However, the report included herein is 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*.

The audit findings in this report are also evaluated to determine their impact on the State's internal control and the State's compliance with rules, regulations, contracts and grants. If determined necessary in accordance with *Government Auditing Standards*, these findings are reported in the State's *Single Audit Report*.

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 report.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees and Management of
Beaufort County Community College

Report on Compliance for Each Major Federal Program

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 programs for the year ended June 30, 2017, we have performed audit procedures at Beaufort County Community College. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is included in the State's *Single Audit Report*. Our federal compliance audit scope at Beaufort County Community College included the Student Financial Assistance Cluster.

The audit results described below are in relation to our audit scope at the College and not to the State of North Carolina as a whole.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulation, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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, which we issue in the State's *Single Audit Report*. We conducted our audit of compliance in accordance with 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the College's compliance with those requirements.

Opinion on Each Major Federal Program

As stated above, our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's *Single Audit Report*.

Other Matters

The results of our audit procedures at Beaufort County Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Findings, Recommendations, and Responses section of this report.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the

Findings, Recommendations, and Responses section of this report to be material weaknesses in internal control over compliance.

Beaufort County Community College's Response to Findings

The College's responses to the findings identified in our audit are included in the Findings, Recommendations, and Responses section of this report. 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 response.

Purpose of Report on Internal Control Over Compliance

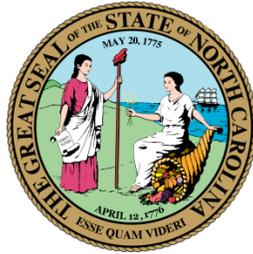
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 19, 2018



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

1. ERRORS IN RETURN TO TITLE IV FUNDS

Auditors tested all 55 students that the College determined met the requirements for a return of funds calculations.

- For 41 students (75%) the return of funds calculations were incorrect due to under and over calculations.
- For 37 students (67%) the funds were returned to the Title IV program late.

Additionally, auditors tested all 60 students that the College determined did not meet the requirements for a return of funds calculation.

- For 14 students (23%), a calculation should have been performed but was not.

As a result, the College failed to return \$19,283.35 to the Title IV program and returned another \$18,076.46 between seven and 104 days late. Those funds could have been allocated to other students or reduced the cost of federal programs.

The errors and late returns occurred because of three reasons:

1. Financial aid personnel used a report that did not include all of the applicable student charges to perform return of Title IV calculations.
2. There were no review or monitoring procedures in place to ensure that all charges were included in the Title IV calculations or to ensure that the calculations were performed accurately.
3. The financial aid office did not have procedures in place to identify all students subject to return to Title IV calculations or to ensure the funds were returned timely.

Federal regulations¹ states 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 programs.

Additionally, federal regulations² requires that returns of Title IV funds be deposited or transferred into the Student Financial Aid account or that electronic fund transfers be initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Federal Award Information: Award Year July 1, 2016 – June 30, 2017. Federal Pell CFDA 84.063.

Recommendation: The financial aid director should perform manual calculations to ensure that information system calculations for returns to Title IV include all applicable student charges. In addition, college management should design and implement review and/or monitoring procedures to ensure that required calculations for returns to Title IV are

¹ 34 CFR 668.22(a)(1) through (a)(5)

² 34 CFR section 668.173(b)

complete and accurate, and funds are returned on a timely basis in accordance with federal compliance requirements.

College Response: See pages 6-7 for Beaufort County Community College's response to this finding.

2. 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 \$2.07 million in federal financial assistance funding to 556 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. Seven (12%) students were not reported in accordance with federal compliance requirements. Specifically:

- Three (5%) students were reported with incorrect status changes
- Four (7%) of students were reported between 79 and 181 days after the status change occurred

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

According to College management, the College did not have proper policies and procedures to ensure the accurate and timely reporting of information to NSLDS, or to monitor the information reported to NSLDS to ensure its agreement with College records.

Federal regulations³ require the College to notify NSLDS within 75⁴ days of a change in student status for those students that received Pell Grant funds. In addition, the NSLDS Enrollment Reporting Guide states that the College is ultimately responsible for timely and accurate reporting.

Federal Award Information: Award Year July 1, 2016 – June 30, 2017. Federal Pell CFDA 84.063.

Recommendation: College management should have written policies and procedures to ensure the accurate and timely submission and monitoring of student enrollment data reported to NSLDS.

Agency Response: See pages 7-8 for Beaufort County Community College's response to this finding.

³ 34 CFR 690.83 and 34 CFR 685.309

⁴ The College is required to notify the NSLDS when it discovers that a student who received loans or Pell grants is no longer enrolled at least half-time. Unless the College expects to complete its enrollment roster with the NSLDS within 60 days of the student's change in enrollment, the College must notify the lender or guarantee agency, via NSLDS within 30 days. The College has 15 days to turn around the roster file. Therefore, we have determined timeliness to be established as within 75 days.



Beaufort County Community College

5337 US Hwy 264 East Washington, NC 27889

October 24, 2017

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

Auditor Wood:

Please accept this as our official letter of response for the federal compliance audit performed by the Office of the State Auditor for the year 2016-17.

Errors in Return of Title IV Funds

OSA Recommendations

The financial aid director should perform manual calculations to ensure that information system calculations for return to Title IV include all applicable student charges. In addition, college management should design and implement review and/or monitoring procedures to ensure that required calculations for return to Title IV are complete and accurate, and funds are returned on a timely basis in accordance with federal compliance requirements.

Agency Response

Beaufort County Community College agrees with the findings and recommendations of the audit for federal compliance for the "Errors in Return of Title IV Funds". The institution takes very seriously compliance with all federal and state regulations and works to ensure BCCC maintains good standing.

To address the finding of "Errors in Return to Title IV Funds," the institution will develop and implement a Return to Title IV Procedure. This will include the following actions:

1. Develop a Return to Title IV procedure that will identify the process, parties responsible, and the timeline for completion of all Return to Title IV funds and ensure federal compliance.
2. Develop/amend the attendance procedure that will require reporting of student's Last Dates of Attendance after a specified number of absences to ensure timeliness of reporting and start of the Return of Funds Calculation(ROFC) process.
3. Develop a workflow with timelines and deadlines for return of funds calculations(ROFC) to be completed from the Registrar's office thru the Financial Aid office and to the Business office to ensure timeliness of funds being returned.

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4. Develop a system to require the Financial Aid Director or designee, to monitor and check ROFC calculations to ensure the accuracy of the information system and the Financial Aid Specialist completing the calculation.

Implementing these corrective actions will require action and oversight from the Academics Division, Student Services Division, and the Business Office Division.

Mr. Rick Anderson, Vice President of Student Services, with the assistance of Ms. Jo Woolard, Financial Aid Director, and Ms. Melissa Francis, Registrar, will oversee the successful development of the Return to Title IV Procedure.

Dr. Crystal Ange, Vice President of Academics, with the assistance of the Deans, will oversee the development of the Attendance Procedure and ensure the implementation by all instructors.

Mr. Mark Nelson, Vice President of Administrative Services, with the assistance of Mrs. Abbie Barfield, Accounts Receivable Specialist, will oversee the development of the workflow and timelines for completion of the Return to Title IV process.

The College will implement all procedures pending approval by Dr. David Loope, BCCC President, and the college Board of Trustees, by January 8, 2018.

Enrollment Status Reporting Errors

OSA Recommendations

College management should have written policies and procedures to ensure accurate and timely submission and monitoring of student enrollment data reported to NSLDS.

Agency Response

Beaufort County Community College agrees with the findings and recommendations of the audit for federal compliance for the "Enrollment Status Reporting Errors". The institution takes very seriously compliance with all federal and state regulations and works to ensure BCCC maintains good standing.

To address the finding of "Enrollment Status Reporting Errors," the institution will develop and implement an Enrollment Status Reporting Procedure. This will include the following actions:

1. A requirement to report to the National Student Clearinghouse every 30 days all student enrollment status changes that occurred the previous 30 days. This will ensure the timeliness of all student enrollment status changes.
2. A requirement that the Registrar review and check for accuracy the reported information provided to the Clearinghouse versus the information showing in the National Student Loan Data System (NSLDS) and eliminate any discrepancies that may be identified between the two systems.

Mr. Rick Anderson, Vice President of Student Services, with the assistance of Ms. Melissa Francis, Registrar, will oversee the development and implementation of the Enrollment Status Reporting Procedure.

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Pending approval by Dr. David Loope, BCCC President, and the college Board of Trustees, the College will implement the Enrollment Status Reporting Procedure by January 8, 2018.

Beaufort County Community College regrets any failure to follow and comply with any and all federal and state regulations. Beaufort County Community College will work diligently to address and remedy these identified failures in our processes.

Sincerely,

A handwritten signature in black ink, appearing to read 'D Loope', with a long horizontal flourish extending to the right.

David R. Loope, Ed.D.

President

Beaufort County Community college

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This audit was conducted in 441.5 hours at an approximate cost of \$45,474.50.