

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

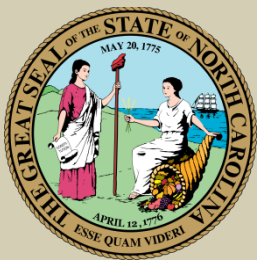


CARTERET COMMUNITY COLLEGE

MOREHEAD CITY, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018



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

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Board of Trustees
Dr. John Hauser, President
Carteret 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 Carteret Community College for the year ended June 30, 2018.

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 Carteret Community College included the following:

- Federal Pell Grant CFDA 84.063

Our audit was performed by authority of Article 5A of Chapter 147 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 types of compliance requirements referred to above that could have a direct and material effect on major federal programs 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 Carteret Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the finding in the Findings, Recommendations, and Responses 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 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 and significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the finding in the Findings, Recommendations, and Responses section to be material weaknesses in internal control over compliance.

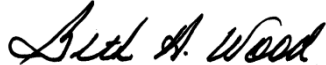
Carteret Community College's Response to Finding

The College's response to the finding identified in our audit is included in the Findings, Recommendations, and Responses section of this transmittal. The College's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Purpose of This Transmittal

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

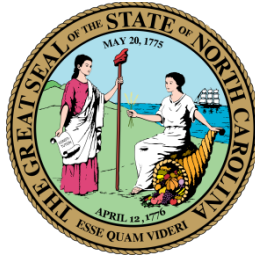
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 19, 2019



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

The following audit findings were identified during the current audit and describe conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

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 \$2.68 million in federal financial assistance funding to 774 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. Eight (13%) students were reported with incorrect status changes.

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 (NSC), a third-party service provider, to ensure accurate and timely reporting of enrollment status changes. The College did not monitor the information reported to NSLDS to ensure its agreement with College records.

Federal regulations¹ require the College to notify NSLDS within 75 days² 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, 2017 – June 30, 2018. Federal Pell CFDA 84.063.

Recommendation: College management should monitor the student enrollment data reported to NSLDS for accuracy and timeliness.

Agency Response: See page 5 for Carteret Community College's response to this finding.

¹ 34 CFR 690.83 and 34 CFR 685.309

² 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.



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November 5, 2018

Beth A. Wood
Office of the State Auditor
2 South Salisbury Street
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Raleigh, North Carolina 27699-0600

Dear Ms. Wood:

Carteret Community College agrees with the finding and recommendation that the College needs to monitor the student enrollment data reported to NSLDS for accuracy and timeliness.

Based on this finding, the College is strengthening its current procedure to provide a timely review of the enrollment status changes reported.

1. The Registrar's Office will produce a copy of the report sent to the National Student Clearinghouse (NSC).
2. This report will be reconciled by the Registrar's Office with information provided by the Financial Aid Office that NSLDS received the enrollment changes and the student information was updated.
3. These reconciliations will be maintained on file in the Registrar's Office for review.

We appreciate your assistance in helping us through this audit process. Please contact us if you have any questions.

Sincerely,

John Hauser, Ed.D.
President

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



This audit was conducted in 366 hours at an approximate cost of \$37,698.00.