

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

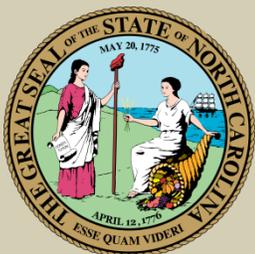


## HALIFAX COMMUNITY COLLEGE

WELDON, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2019



**NCOSA**  
The Taxpayers' Watchdog



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.

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
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## **AUDITOR'S TRANSMITTAL**

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Dr. Michael Elam, President  
Halifax 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 Halifax Community College for the year ended June 30, 2019.

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 Halifax Community College included the Student Financial Assistance Cluster

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 Halifax Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in findings 1, 2, and 3 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. Therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed in the Findings, Recommendations and Responses 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.

### Halifax 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 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 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 Halifax Community College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

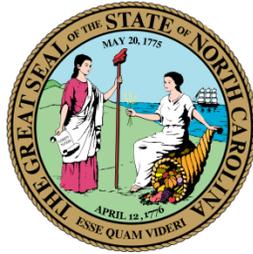
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 20, 2020



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

## Matters Related to Federal Compliance Objectives

### 1. ENROLLMENT STATUS REPORTING ERRORS

The College did not timely or accurately 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 \$1.6 million in federal financial assistance funding to 459 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.

Five (8%) students were not reported in accordance with federal compliance requirements. Specifically:

- One (2%) student was not reported at all.
- Two (3%) students were reported with incorrect statuses.
- Two (3%) students were reported 80 to 101 days after the status change occurred.

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

According to the College, the College relied on the National Student Clearinghouse (Clearinghouse), 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 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:* Award Year July 1, 2018 – June 30, 2019. CFDA 84.063 Federal Pell Grant Program.

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

*Agency Response:* See pages 7-8 for the College's response to this finding.

<sup>1</sup> 34 CFR 690.83 and 34 CFR 685.309

<sup>2</sup> 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.

### 2. UNTIMELY RETURN OF TITLE IV FUNDS

The College did not timely return Title IV funds (financial aid) after students supported by the program withdrew from the school. During the audit period, the College disbursed approximately \$1.6 million in financial aid to 459 students.

Auditors tested the return calculations for a sample of 25 out of 122 students that met the requirements and had Title IV calculations performed. Auditors found six students (24%) in which unearned funds totaling \$4,309 were returned to the Title IV program between one and 44 days late.

As a result, the funds were not available for allocation to other students or for reducing the cost of federal programs.

The errors occurred because the College did not have procedures in place during the audit period to ensure instructors reported withdrawals in 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, federal regulations<sup>4</sup> require 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 determined that the student withdrew.

*Federal Award Information:* Award Year July 1, 2018 – June 30, 2019. CFDA 84.063 Federal Pell Grant Program; CFDA 84.007 Federal Supplemental Educational Opportunity Grant.

*Recommendation:* College management should design and implement procedures to ensure that instructors report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

*Agency Response:* See page 8 for the College's response to this finding.

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

The College's risk assessment over protecting students' financial aid information did not include all of the elements as required by federal regulations<sup>5</sup>. During the audit period, the College disbursed approximately \$1.6 million in federal financial assistance to 459 students subject to this requirement.

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

<sup>4</sup> 34 CFR 668.173(b)

<sup>5</sup> 16 CFR 314.4

As a result, student information was more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

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

*Federal Award Information:* Award Year July 1, 2018 – June 30, 2019. CFDA 84.007 Federal Supplemental Educational Opportunity Grant; CFDA 84.033 Federal Work-Study Program; CFDA 84.063 Federal Pell Grant Program.

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

*Agency Response:* See pages 8-9 for the College's response to this finding.



March 2, 2020

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

Dear Ms. Wood:

Halifax Community College agrees with the findings and recommendations identified during the federal compliance audit performed by the Office of the State Auditor for the year beginning July 1, 2018 and ending June 30, 2019. The following shall serve as a response of agreement, plan for corrective action, implementation timeline and statement of who within the College will be responsible for carrying out the actions.

1. ENROLLMENT STATUS REPORTING ERRORS

OSA Recommendation

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

Agency Response

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

Based on the finding, the College is strengthening its current procedure to provide a timely review and reconciliation of the enrollment status changes reported. The College will ensure changes from the previously submitted report are active in the National Student Loan Database System prior to submitting a new report. It is imperative to ensure reporting between the two outside agencies is complete prior to submitting a new status report. Updated procedures are inclusive of the following actions.

- The Registrar will produce a copy of the report produced by Colleague and uploaded to the National Student Clearinghouse (NSC).
- The Director of Financial Aid will perform a reconciliation of the status changes between the Registrar's report and the National Student Loan Database System (NSLDS) prior to the submission of additional reporting by the Registrar.

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[www.halifaxcc.edu](http://www.halifaxcc.edu)

- The Director of Financial Aid will correct any discrepancies identified in NSLDS during the reconciliation process.

Dr. Barbara Bradley Hasty, Vice President of Enrollment Services with the assistance of Dawn Veliky, Registrar and Tara Keeter, Director of Financial Aid will oversee the development and implementation of the Enrollment Status Reporting procedures. Implementation of the revised procedures will occur by December 31, 2019.

## 2. UNTIMELY RETURN OF TITLE IV FUNDS

### OSA Recommendation

College management should design and implement procedures to ensure that instructors report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

### Agency Response

Halifax Community College agrees with the finding and recommendation to implement procedures to ensure faculty report withdrawals in a timely manner so funds are returned on a timely basis in accordance with federal compliance requirements.

HCC policy requires faculty to drop a student from a class after two consecutive weeks of absences. In addition to monitoring weekly drop/withdrawal submission lists, updated procedures are inclusive of the following actions.

- Increase professional development opportunities for faculty regarding the Return of Title IV process and requirements.
- A financial aid staff member will communicate via email with a student when it is determined the student has only one class remaining.
- A financial aid staff member will communicate with the faculty member of the remaining class to verify attendance or the need for a drop submittal.
- A late drop submission is defined as 15 days or greater after the last day of attendance. A record of late drop submissions will be reported to the Vice President of Academic Affairs.
- Faculty who fail to submit drop records in a timely manner will receive communication via email from the Director of Financial Aid.
- Faculty with repeated instances (2 or more within a semester) will receive communication from the Vice President of Academic Affairs and the instances will be considered in the faculty members annual evaluation.

Dr. Jeffery Fields, Vice President of Academic Affairs, with the assistance of Tara Keeter, Director of Financial Aid will oversee the development and implementation of the revised procedures to ensure the timely return of title IV funds. Implementation of the revised procedures will occur by December 31, 2019.

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

### OSA Recommendation

College management should ensure responsible staff receive training on the federal regulations required under the Gramm-Leach-Bliley Act and revise its information security program as needed.

### Agency Response

Neither the Vice President of Administrative Services nor the Director of Information Technology were aware that legislation related to the Gramm-Leach-Bliley Act was enacted and enforceable as of the fiscal year of July 1, 2018-June 30, 2019. Neither the Vice President of Administrative Services nor the Director of Information Technology had received any messages regarding that topic from either federal or state sources of information.

Halifax Community College did not believe that it was negligent in not taking actions related to the Information Security program as it completed all phases of the Enhancing Accountability in Government through Leadership and Education (EAGLE) program during the fiscal year 2018-2019, which is part of the internal control program for community colleges in North Carolina. That included submitting the IT portion of EAGLE in 2018-2019. There are five parts of the Gramm-Leach-Bliley Act that Halifax Community College needed to comply with to meet all standards of the Act. Halifax Community College met the standards of four parts of the Act. The College agrees that it did not meet one part of the Act. That part is standard (b)(1) of employee training and management of identifying reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks.

Therefore, Halifax Community College will take additional steps to meet the standards of the Gramm-Leach-Bliley Act by:

David Forester, Vice President of Administrative Services, with the assistance of Caroline Harris, Director of Information Technology, will oversee the development and implementation of revised procedures to ensure that Halifax Community College will be in compliance in all aspects with the Gramm-Leach-Bliley Act. This will include a focus on a greater training of employees regarding the College's Information Technology program.

In order to comply with the Gramm-Leach-Bliley Act, Halifax Community College will update the training policy for employees that are on the college's network/have access to student information/records. The College intends to move away from security training test via Blackboard and will move to using SaaS training service, KnowB4. KnowB4 provides simulated social engineering attacks so that employees will know what to look for in the future and how to react accordingly as well as a comprehensive log detailing the subjects each user have been trained in, and the users who have successfully passed security training. To further strengthen our network, the College also intends to implement Akamai DNS Security Filtering as provided by MCNC. The College intends to have these measures implemented by the end of February 2020.

Halifax Community College will continue to use the Enhancing Accountability in Government through Leadership and Education (EAGLE) as part of the State of North Carolina internal control program as it did in the fiscal year of July 1, 2018-June 30, 2019. Halifax Community College will continue to evaluate internal controls and assessing risks using EAGLE.

Halifax Community College will work diligently to address and remedy these identified findings through updating College procedures. We appreciate your assistance through the audit process. Please contact us if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael A. Elam". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dr. Michael A. Elam  
President

# ORDERING INFORMATION

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North Carolina Office of the State Auditor at 919-807-7666.

