

STATE OF NORTH CAROLINA

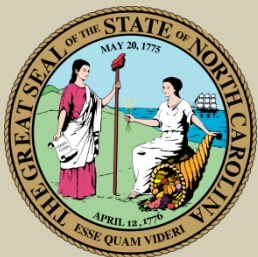
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



McDOWELL TECHNICAL COMMUNITY COLLEGE

MARION, 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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STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Dr. John D. Gossett, President
McDowell Technical 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 McDowell Technical 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 McDowell Technical 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 McDowell Technical Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiencies described in the Findings, Recommendations, and Responses section to be significant deficiencies in internal control over compliance.

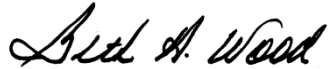
McDowell Technical Community College's Response to Findings

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 responses.

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

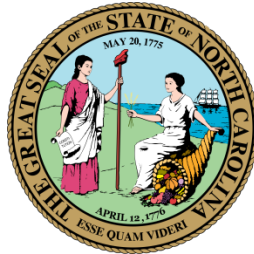
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 20, 2020



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

1. FINANCIAL AID POLICIES DO NOT MEET FEDERAL REQUIREMENTS

The College's policies do not contain the minimum elements required by federal regulations. During the audit period, the College disbursed approximately \$1.4 million in federal financial assistance to 374 students.

First, the College's verification policy¹ omitted important elements including:

- The applicants' responsibilities throughout the verification and consequences for failing to provide documentation within a specified time period.
- The procedures for referring to appropriate parties any credible information indicating an applicant may have engaged in fraud or other criminal conduct during the application process.

Second, the College's satisfactory academic progress (SAP) policy² does not describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions.

Third, while the College's SAP policy addressed the following elements, these elements were not published as required by federal regulations³:

- The basis on which a student may file an appeal.
- The information a student must submit regarding why the student failed to make satisfactory academic progress, and what has changed in the student's situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation.
- Notification procedures to students of the results of an evaluation that impacts a student's eligibility for Title IV program funds.

Additionally, the College's withdrawal policy⁴ omitted important elements including:

- A procedure for assuring returns of Title IV funds are paid in the proper sequence.
- A procedure for paying the returns of Title IV funds within due dates.

¹ The Verification policy establishes criteria to ensure that students receive the correct amount of federal financial assistance by requiring students to provide support related to their Free Application for Federal Student Aid (FAFSA).

² The SAP policy establishes criteria to ensure that students continuing to receive assistance have a likelihood of success and that limited funds are used prudently.

³ 34 CFR 668.16(e)

⁴ The Withdrawal policy establishes criteria to ensure that financial assistance is properly returned to the Department of Education when a student stops attending class.

As a result, students could misunderstand the financial aid process and have their aid interrupted or denied.

According to the College, the errors occurred because the College did not have a process in place to review and update policies to comply with federal regulations.

Federal regulations⁵ require institutions to have written policies for certain elements of the student financial aid process. Specifically,

- Institutions must establish and use written policies and procedures for verifying information contained in a student aid application.
- Institutions must establish, publish, and apply reasonable standards for measuring whether eligible students maintain satisfactory academic progress.
- Institutions must make readily available to enrolled and prospective students a summary of the requirements for the return of Title IV grant assistance.

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: The College should design and implement procedures to ensure that they have reviewed and updated their policies to comply with federal regulations.

Agency Response: See page 7 for McDowell Technical Community College's response to this finding.

2. 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 regulations⁶. During the audit period, the College disbursed approximately \$1.4 million in federal financial assistance to 374 students subject to this requirement.

As a result, student information is 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.

⁵ 34 CFR 668.53; 34 CFR 43(a)(2-4)

⁶ 16 CFR 314.4

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 regulation required under the Gramm-Leach-Bliley Act and revise its information security program as necessary.

Agency Response: See pages 7 and 8 for McDowell Technical Community College's response to this finding.



Dr. John Gossett, President

Title of OSA Audit Finding

FINANCIAL AID POLICIES DO NOT MEET FEDERAL REQUIREMENTS

OSA Recommendation:

The College should design and implement procedures to ensure that they have reviewed and updated their policies to comply with federal regulations.

Agency Response

The College agrees with the findings that the College's Financial Aid policies did not meet the federal requirements.

The Office of Financial Aid at McDowell Technical Community College has updated the following policies pursuant to audit findings and recommendations:

- Verification
- Satisfactory Academic Progress/Financial Aid Appeal
- Title IV Repayment

These updated policies and procedures were emailed to David Ehricht and Robin Davis of the Office of State Auditors on October 29, 2019.

Additionally, the Office of Financial Aid will update our Financial Aid Policy and Procedure Manual annually as new rules and regulations are published. The policies will also be updated in the Financial Aid Section of the MTCC Website.

Kim Ledbetter, Director of Financial Aid is responsible for implementing the corrective action. The policies have been updated and corrected.

Title of OSA Audit Finding

INFORMATION SECURITY PROGRAM DOES NOT MEET MINIMUM FEDERAL REQUIREMENTS

OSA Recommendation:

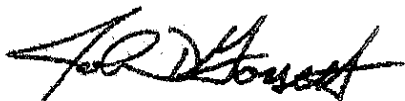
College management should ensure responsible staff receive training on the federal regulation required under the Gramm-Leach-Bliley Act and revise its information security program as necessary.

Agency Response

The College agrees with the findings that the College's Information Security Program did not meet the minimum federal requirements.

The College will revise and update the Information Security processes to meet federal requirements that are required under the Gramm Leach-Bliley Act. Also, responsible staff will receive training on the federal regulation required under the Gramm-Leach-Bliley Act. The College will research these areas for professional development opportunities for the information technology staff.

Elmer Macopson, Director of Information Technology is responsible for implementing the corrective action. The policies have been updated and are being corrected.



President



Vice President for Finance and
Administration

ORDERING INFORMATION

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<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

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



This audit was conducted in 367 hours at an approximate cost of \$38,168.