

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

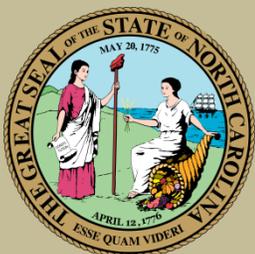


DAVIDSON-DAVIE COMMUNITY COLLEGE

LEXINGTON, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2021



NC OSA
The Taxpayers' Watchdog

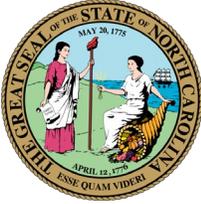


**Beth A. Wood, CPA
State Auditor**

TABLE OF CONTENTS

	PAGE
AUDITOR'S TRANSMITTAL	1
FINDING, RECOMMENDATION, AND VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE	3
ORDERING INFORMATION	6

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
The General Assembly of North Carolina
Dr. Darrin L. Hartness, President
Davidson-Davie 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 Davidson-Davie Community College (College) for the year ended June 30, 2021.

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). Our audit objective was to express an opinion on the State of North Carolina's compliance for each of its major federal programs. However, 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. The State Auditor expresses an opinion on the State of North Carolina's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

Our federal compliance audit scope at the College included the Student Financial Assistance Cluster.

Our audit was performed by authority of Chapter 147, Article 5A of the *North Carolina General Statutes*.

Compliance

The results of our audit procedures at Davidson-Davie Community College disclosed no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance.

Internal Control Over Compliance

In planning and performing our audit of compliance, we considered the College's 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 the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's 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 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 have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiency described in the Finding, Recommendation, and Views of Responsible Officials of the Auditee section to be a significant deficiency in internal control over compliance.

Davidson-Davie Community College's Response to the Finding

The College's response to the finding identified in our audit is included in the Finding, Recommendation, and Views of Responsible Officials of the Auditee 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 the College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

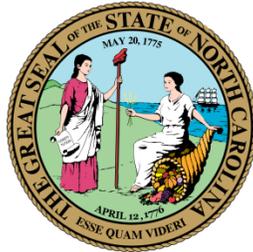
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 30, 2022



**FINDING,
RECOMMENDATION, AND
VIEWS OF RESPONSIBLE
OFFICIALS OF THE
AUDITEE**

Matters Related to Federal Compliance Audit Objectives

FAILURE TO NOTIFY LOAN RECIPIENTS OF THEIR RIGHT TO CANCEL LOANS

The College did not notify Direct Loan recipients of their right to cancel the loans. During the audit period, the College disbursed approximately \$3.69 million in federal Direct Loans to 571 students.

Auditors tested a sample of 60 students who received federal Direct Loans during the audit period and found that none of the students were notified of their right to cancel the loan.

Failure to notify loan recipients of their right to cancel loans increases the risk of default because recipients could remain obligated for loans they would have otherwise cancelled.

According to College management, the financial aid department recently streamlined communications to recipients in an attempt to avoid duplicative efforts; however, there were no monitoring procedures in place to ensure that the new method of communication was sufficient to meet federal requirements.

Federal regulations¹ require the College to notify loan recipients of their right to cancel loans in writing no earlier than 30-days before and no later than 30-days after loan funds are credited to a student's account.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; Assistance Listing Number (title): 84.268 (Federal Direct Student Loans); Federal Award Identification Numbers (award period): P268K201925 (July 1, 2019 – June 30, 2020); P268K211925 (July 1, 2020 – June 30, 2021).

Recommendation: College management should implement monitoring procedures to ensure that notifications provided to loan recipients are timely and include all required information concerning their right to cancel loans.

Views of Responsible Officials of the Auditee: See pages 4-5 for Davidson-Davie Community College's response to this finding.

¹ 34 CFR 668.165.



Davidson-Davie
COMMUNITY COLLEGE
OFFICE OF THE PRESIDENT

September 23, 2021

Zach Rogers - MSA, CISA
Financial Audit Manager
43 College Pl.
Doppler Building, Suite 304
Asheville, NC 28801

Re: Financial Aid Single Audit Finding Response, July 1, 2020 – June 30, 2021

Dear Mr. Rogers,

In response to the finding from the Financial Aid Single Audit for the year ending June 30, 2021, Failure to Notify Direct Loan Recipients of Their Right to Cancel Loans, Davidson-Davie Community College agrees with the finding and has implemented the following corrective actions as of September 1, 2021.

Upon the date of disbursement of a Federal Direct Loan, a notification is sent to each recipient via email by Ellucian Colleague, the college's student information system. In accordance with 34 CFR 668.165(a), this notification advises the Federal Direct Loan recipient of the following:

- Instructions on how to view the amount and date of the disbursement via the secure student portal
- The right to cancel all or a portion of the loan and have the loan proceeds returned to the U.S. Department of Education
- The procedures and deadlines by which the Federal Direct Loan recipient must notify the school that they wish to cancel the loan

Ellucian Colleague maintains a permanent record of this notification, which includes the text of the notification and the date it was sent to the Federal Direct Loan recipient. The text of the notification is as follows:

*Dear XXXXXXXXXXXX,
Student ID: XXXXXXXX*

This notice is to inform you of the recent disbursement of your Federal Direct Loan for the XXXX 20XX semester. If you are anticipating a refund once your college bill has been paid, the funds will be issued by direct deposit or as a paper check depending upon the selection

Davidson Campus
P.O. Box 1287
Lexington, NC 27293-1287
336.249.8186

Davie Campus
1205 Salisbury Road
Mocksville, NC 27028
336.751.2885



Davidson-Davie
COMMUNITY COLLEGE
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you made through Heartland/ECSI. The anticipated date for refunds is XXXXXXXXXXXX, 20XX.

You may view the amount of your Federal Direct Loan by logging into StormTrac and selecting Financial Aid. Please note the U.S. Department of Education deducts a loan origination fee of X.XXX% from all Federal Direct Loans prior to disbursement.

If you would like to cancel all or a portion of your Federal Direct Loan, you must notify our office at fa_loans@davidsondavie.edu within fourteen (14) days after the date of this email. Please be sure to include your name, student ID, loan type, and amount you wish to cancel.

Please contact our office at the email below with any questions regarding this notification or your student loans.

*Office of Financial Aid
Davidson-Davie Community College
finaid@davidsondavie.edu*

If you have any further questions or concerns, please contact my office at 336-224-4700. Thank you for your assistance with this audit.

Sincerely,

Darrin L. Hartness, Ed. D.
President

Attached: Corrective Action Plan

Davidson Campus
P.O. Box 1287
Lexington, NC 27293-1287
336.249.8186

Davie Campus
1205 Salisbury Road
Mocksville, NC 27028
336.751.2885

ORDERING INFORMATION

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North Carolina Office of the State Auditor at:

919-807-7666



This audit required 397 hours at an approximate cost of \$42,082.