

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



PITT COMMUNITY COLLEGE

WINTERVILLE, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2021



NC  **OSA**
The Taxpayers' Watchdog

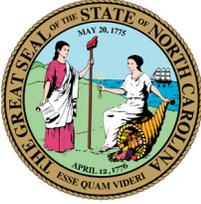


**Beth A. Wood, CPA
State Auditor**

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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
The General Assembly of North Carolina
Dr. Lawrence L. Rouse, President
Pitt 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 the Pitt 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 the Pitt Community College disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in all of the findings in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section.

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 deficiencies described in all of the findings in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section to be significant deficiencies in internal control over compliance.

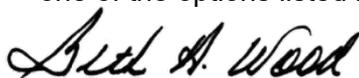
Pitt Community College's Response to Findings

The College's responses to the findings identified in our audit are included in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 the College based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

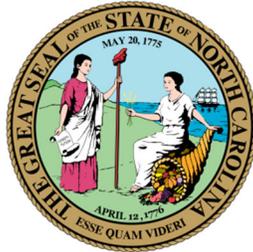
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 30, 2022



**FINDINGS,
RECOMMENDATIONS, AND
VIEWS OF RESPONSIBLE
OFFICIALS OF THE
AUDITEE**

Matters Related to Federal Compliance Audit 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 \$20 million in federal financial assistance funding to 3,840 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 not reported in accordance with federal compliance requirements. Specifically:

- Six students were reported with incorrect statuses.
- One student was reported with incorrect academic program data.
- One student was reported 77 days after the status change occurred.

Failure to timely and accurately report student enrollment status changes to the NSLDS could impact student Pell and Direct Loan eligibility.

According to College management, the College relied on the National Student Clearinghouse, a third-party service provider, to ensure accurate and timely reporting of enrollment status changes. Management did not monitor the information reported to the NSLDS to ensure its agreement with College records.

Federal regulations¹ require the College to notify the NSLDS within 75 days² of a change in student status for those students that received Pell Grant and Federal Direct Loan funds. In addition, the NSLDS *Enrollment Reporting Guide* states that the College is ultimately responsible for timely and accurate reporting.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; Assistance Listing Numbers (titles): 84.063 (Federal Pell Grant Program) and 84.268 (Federal Direct Student Loans); Federal Award Identification Numbers (award period): P063P202495 and P268K212495 (July 1, 2020 - June 30, 2021).

Recommendation: College management should implement monitoring procedures to ensure all students with enrollment status changes are identified and timely and accurately reported to the NSLDS.

Views of Responsible Officials of the Auditee: See page 5 for the Pitt 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 the NSLDS within 30 days. Per the NSLDS *Enrollment Reporting Guide*, the College has 15 days to turn around the roster file. Therefore, we have determined timeliness to be established as within 75 days.

2. FINANCIAL AID EXCEEDED STUDENT NEEDS

The College awarded federal financial assistance that exceeded the financial need of students. During the audit period, the College disbursed approximately \$20 million in Pell and Direct Loan funds to 3,840 students.

Auditors tested award calculations for a sample of 60 students and found two (3%) students that were awarded more funds than allowed by a total of \$368.

As a result, \$368 is considered questioned costs³ and the College may be required to pay the funds back to the federal government. In addition, the funds could have been awarded to other students or reduced the cost of the federal program.

According to College management, the errors occurred because procedures were not in place to review and adjust award calculations when the student's enrollment status changed.

Federal regulations⁴ require the College to determine Pell awards for students based on the student's enrollment status, cost of attendance, expected family contribution, and the maximum allowed amount established by Congress. Additionally, federal regulations⁵ require the College to coordinate awards among various programs to ensure that total aid is not awarded in excess of the student's financial need or cost of attendance.

Federal Award Information: Federal Awarding Agency: U.S. Department of Education; Assistance Listing Numbers (titles): 84.063 (Federal Pell Grant Program) and 84.268 (Federal Direct Student Loans); Federal Award Identification Numbers (award period): P063P202495 and P268K212495 (July 1, 2020 - June 30, 2021).

Recommendation: College management should design and implement procedures, such as verifying student award amounts when enrollment status changes occur.

Views of Responsible Officials of the Auditee: See page 5 for the Pitt Community College's response to this finding.

³ Even though the tests identified only \$368 in questioned costs, if extended to the entire population, questioned costs could exceed \$25,000. 2 CFR 200.516(a)(3) requires auditors to report known questioned costs when likely questioned costs are greater than \$25,000.

⁴ 20 USC 1070a(b).

⁵ 34 CFR 685.301(a).



Enrollment Services
PO Drawer 7007
Greenville, NC 27835

To: 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

From: Lee Bray, Director of Financial Aid

Date: January 26, 2022

Subject: Financial Statement and Federal Compliance Audit

Dear Auditor Wood:

Pitt Community College agrees with the findings and recommendations of the federal compliance audit recently completed for FY 2021. Regarding finding 1 (Enrollment Status Reporting Errors), the enrollment is now being handled by the Registrar and Financial Aid Director together. The Financial Aid Director is now reviewing reports through NSLDS to ensure the reporting submitted to Clearinghouse is accurate for all students. Regarding finding 2 (Financial Aid Exceeded Student Needs), attendance changes will be reviewed on a daily basis as reports of non-attendance, withdraws and reinstatements are provided by the Registrar's Office.

We are providing the enclosed corrective action plan(s) for findings identified in connection with your audit of the major federal programs of the State of North Carolina for the year ended June 30, 2021, in accordance with the Single Audit Act and the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In accordance with 2 CFR 200.511(c), a corrective action plan, separate from the previously provided management's written response, has been prepared for each audit finding. The corrective action plan includes the corrective actions planned, the anticipated completion date, and the contact information for the person responsible for implementing the corrective action.

A handwritten signature in black ink, appearing to read "James J. Rouse", positioned above a horizontal line.

A handwritten signature in black ink, appearing to read "Ricky H. Brown", positioned above a horizontal line.
Chief Financial Officer

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State of North Carolina
2 South Salisbury Street
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Office of the State Auditor Fraud Hotline:

Telephone: 1-800-730-8477

Internet: <https://www.auditor.nc.gov/about-us/state-auditors-hotline>

For additional information contact the
North Carolina Office of the State Auditor at:

919-807-7666



This audit required 378 hours at an approximate cost of \$40,068.