

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

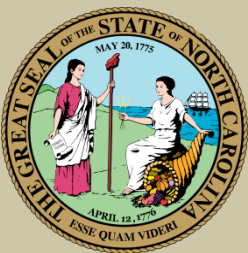
BETH A. WOOD, CPA



## ROANOKE-CHOWAN COMMUNITY COLLEGE

AHOSKIE, NORTH CAROLINA

INVESTIGATIVE REPORT  
MAY 2018



**NCOSA**  
The Taxpayers' Watchdog

# EXECUTIVE SUMMARY

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## **PURPOSE**

The Office of the State Auditor received complaints alleging that Roanoke-Chowan Community College (College) was violating the Southern Association of Colleges and Schools Commission on Colleges' (SACSCOC) *Principles of Accreditation: Foundations for Quality and Enhancement* (Principles of Accreditation). During the course of investigating the initial allegation, the investigation was expanded to include the College's failure to perform timely billings of student sponsorship<sup>1</sup> accounts receivable.

## **BACKGROUND**

The College's campus is located in Hertford County. The College receives aid from both State and county appropriations. The College's enrollment totaled approximately 2000 students during both the fall 2016 and spring 2017 semesters.

## **FINDINGS**

- The College may have violated the SACSCOC Principles of Accreditation
- The College failed to timely bill for all student sponsorships for over a year

## **RECOMMENDATIONS**

- The College's Board of Trustees should review the SACSCOC Principles of Accreditation and take necessary steps to ensure compliance with the principles
- The College should review the sponsorship accounts receivable report to ensure the report is complete and accurate prior to conducting billings
- The College should ensure student sponsorship billings are made current and timely processed in the future

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<sup>1</sup> Sponsorships are defined as payments that a third-party makes directly to the college to cover tuition and related expenses while the student is enrolled at the college.

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



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Mr. Andre Lassiter, Chairperson, Roanoke-Chowan Community College Board of Trustees  
Dr. Stanley Elliott, President, Roanoke-Chowan Community College  
Mr. Peter Hans, President, North Carolina Community College System

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c)(16)*, we have completed an investigation of allegations concerning Roanoke-Chowan Community College. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with *G.S. §147-64.6(c)(12)*. We appreciate the cooperation received from the President of Roanoke-Chowan Community College during our investigation.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA  
State Auditor



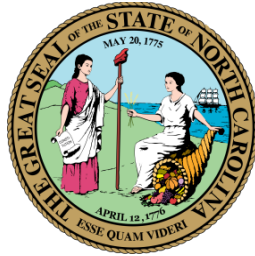
Beth A. Wood, CPA  
State Auditor

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Article 5A, 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.



# BACKGROUND

The Office of the State Auditor received complaints alleging that Roanoke-Chowan Community College (College) was violating the Southern Association of Colleges and Schools Commission on Colleges' (SACSCOC) *Principles of Accreditation: Foundations for Quality and Enhancement* (Principles of Accreditation). During the course of investigating the initial allegation, the investigation was expanded to include the College's failure to perform timely billings of student sponsorship accounts receivable.

Our investigation of these allegations included the following procedures:

- Review of the SACSCOC Principles of Accreditation
- Review of Roanoke-Chowan Board Meeting Minutes
- Interviews with current and former employees
- Examination and analysis of available documents and records

This report presents the results of the investigation. The investigation was conducted pursuant to *North Carolina General Statute § 147-64.6 (c) (16)*.

The College's campus is located in Hertford County. The College receives aid from both State and county appropriations. The College's enrollment totaled 1,873<sup>2</sup> students during the fall 2016 semester and 2,047<sup>3</sup> students during the spring 2017 semester.

The College is governed by the Board of Trustees and consists of 12 voting members. The College's president reports to the Board of Trustees. The members of the Board of Trustees are elected as follows:

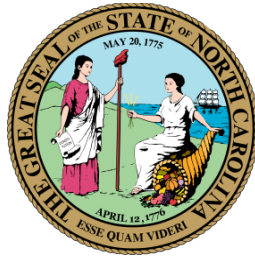
- four trustees are elected by the Hertford County Board of Education
- four trustees are elected by the Hertford County Board of Commissioners
- four trustees are appointed by the Governor of North Carolina

SACSCOC is the regional body for the accreditation of degree-granting higher education institutions in the southern states. For a college to maintain accreditation with the SACSCOC, an institution must comply with the standards contained in the Principles of Accreditation and with the policies and procedures of SACSCOC.

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<sup>2</sup> North Carolina Community Colleges, Semester Curriculum Enrollment, Fall 2016-2017

<sup>3</sup> North Carolina Community Colleges, Semester Curriculum Enrollment, Spring 2017-2018



# FINDINGS AND RECOMMENDATIONS

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## 1. THE COLLEGE MAY HAVE VIOLATED SACSCOC PRINCIPLES OF ACCREDITATION

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The brother of the Roanoke-Chowan Community College (College) Board of Trustees' (Board) Chair is employed as the Plant Operations Foreman and acting Director of Facilities and Maintenance. This relationship may be a violation of the Southern Association of Colleges and Schools Commission on Colleges' (SACSCOC) *Principles of Accreditation: Foundations for Quality and Enhancement* (Principles of Accreditation). SACSCOC Principles of Accreditation, Section 2.2 states, "Both the presiding officer of the board and a majority of other voting members of the board are free of any contractual, employment, or personal or familial financial interest in the institution."

The College's noncompliance could result in sanctions by SACSCOC. According to SACSCOC, "Institutions that do not demonstrate that they meet accreditation standards may be asked for monitoring reports, placed on the public sanctions of 'Warning' or 'Probation,' or dropped from status as a candidate or an accredited institution."

### RECOMMENDATION

- The College's Board of Trustees should review the SACSCOC Principles of Accreditation and take necessary steps to ensure compliance with the principles

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## 2. THE COLLEGE FAILED TO TIMELY BILL FOR ALL STUDENT SPONSORSHIPS FOR OVER A YEAR

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The College failed to conduct timely billings of sponsorship accounts receivables. Sponsorship revenue collected from each community college is pooled and redistributed to each community college based on a predetermined allocation rate. The College's failure to invoice and collect those outstanding balances from the sponsors reduced the amount of pooled sponsorship revenue available to all North Carolina community colleges.

The College's Business Office failed to issue a portion of invoices to sponsors from fall 2016 through fall 2017. A report from the College containing sponsorship accounts receivable balances reflected approximately \$62,000 of unbilled sponsorship receivables.

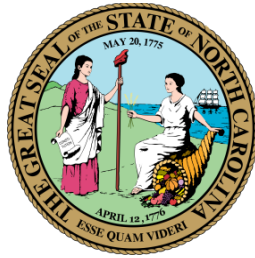
A review of this report provided evidence that the report was both incomplete and inaccurate. A sponsorship amount of \$524 was omitted from the report. As a result, there is the potential that other amounts may also be omitted from the report.

The College's Controller said the failure to invoice and collect payments from sponsors was caused by vacant positions resulting from a high rate of turnover within the Business Office. Based on discussions with various Business Office personnel, nearly all of the personnel within the Business Office held their positions for less than a year.

### RECOMMENDATIONS

- The College should review the sponsorship accounts receivable report to ensure the report is complete and accurate prior to conducting billings
- The College should ensure student sponsorship billings are made current and processed timely in the future





# **MATTERS FOR FURTHER CONSIDERATION**

### **Turnover Rate and Possible Link to Board Involvement**

Roanoke-Chowan Community College (College) experienced a high rate of turnover in the president position between September 2012 and November 2017. During that period, the College contracted with four separate presidents.

Former presidents along with current and former employees attributed the high turnover rate to the Board of Trustees' (Board) excessive involvement in day-to-day College operations.

According to the presidents' contracts, their responsibilities include:

- Supervision and administration of personnel including making recommendations concerning the hiring or termination of personnel pursuant to Board policies
- Recommending policies to the Board
- Establishing procedures for day-to-day operations

According to *North Carolina General Statute* § 115D-20, the Board's responsibilities include:

- The election or employment of all personnel (other than the president) of the institution upon nomination by the president
- Adopting policies as recommended by the president

The results of our investigation could neither prove nor disprove that the Board's involvement in the College's daily operations was excessive. To determine whether or not the Board is taking on the roles and responsibilities of the president, the State Board of Community Colleges and the System Office should consider on-site monitoring of the Board's role in the College's daily operations.

### **Board Conduct during Exit Conference**

According to the Office of the State Auditor's (OSA) *Investigative Standards, Policies, and Procedures*, upon completion of the investigation, the results of the investigation will be communicated to agency management and documented in the work papers as the exit conference.

On November 14, 2017, investigators conducted an exit conference with the Board Chair and President of the College. At the President's request, OSA investigators conducted an additional exit conference with the Board on November 28, 2017. During this exit conference, select board members failed to acknowledge the seriousness of the situation and at times were uncooperative, belligerent, and argumentative.

The Office of the State Auditor (OSA) strives to provide reports with complete and accurate information to the Governor, the General Assembly, and the citizens of North Carolina.

When the response of an auditee potentially obscures an issue, misleads the reader, or inappropriately minimizes the importance of auditor findings and recommendations, OSA provides clarifications regarding the auditee's response.

In its response to this audit, Roanoke-Chowan Community College (College) made several statements that require clarification or correction. To ensure complete and accurate information, OSA offers the following clarifications.

### **Impact of the College's Board of Trustees' Conduct on Decision to Write Report**

The College's response noted, "OSA again stated that the College would not receive a written report from their office because the findings of the audit did not meet the criteria for a written report." At the time of the exit conference on November 28, 2017, OSA planned to issue a letter to the State Board of Community Colleges outlining the findings of the audit. However, due to the College's Board of Trustees' (Board) dismissive demeanor concerning the findings presented during the exit conference, OSA decided to issue a report to inform the Governor, the General Assembly, and the State Board of Community Colleges of the findings and the Board's unprofessional and dismissive behavior.

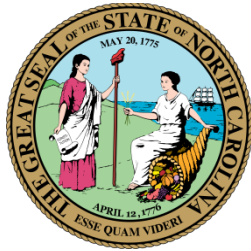
### **The College May Have Violated SACSCOC Principles of Accreditation**

The College stated that, "**both** the presiding officer **and** a majority of other voting members clearly means that the Chairman and at least six other voting members of the Board would be free from any contractual, employment, personal, or familial interest in the institution." However, according to the Southern Association of Colleges and Schools Commission on Colleges' (SACSCOC) Chief of Staff, neither the presiding officer (board chair) **nor** a majority of the voting board members can have a contractual, employment, personal, or familial financial interest in the institution.

OSA informed SACSCOC of the possible violation on December 15, 2017. As SACSCOC is the oversight body for accreditation, SACSCOC will determine if the employment of the Board Chair's brother violates SACSCOC *Principles of Accreditation: Foundations for Quality and Enhancement 2.2*.

### **Turnover Rate and Possible Link to Board Involvement**

Although the investigation could not substantiate the allegation that the Board's involvement in the College's daily operations was excessive and over-reaching, it should be reiterated that the allegation was not proven to be untrue. The concern regarding the Board's over-reach resulted from former presidents and current and former employees expressing concern about the College's turnover (**four presidents in five years**). To determine whether or not the Board is taking on the roles and responsibilities of the president, the State Board of Community Colleges and the North Carolina Community College System Office should consider on-site monitoring of the Board's role in the College's daily operations.



# **RESPONSE FROM ROANOKE-CHOWAN COMMUNITY COLLEGE**

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*Office of the President*

March 28, 2018

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Auditor Wood:

Thank you for the opportunity to review the investigative report, which includes findings and recommendations for Roanoke-Chowan Community College. The draft Audit Findings and Recommendations from the investigation allege that the College may have violated the (SACSCOC) Principles of Accreditation, and the College failed to perform timely billings of student sponsorship accounts receivable.

It should be noted that the alleged violations occurred prior to my tenure as President of Roanoke-Chowan Community College. My first day as President at Roanoke-Chowan Community College was October 2, 2017 and on October 9, 2017, I was informed that the institution was being reviewed by the Office of State Auditor for the aforementioned violations.

On November 14, 2017, OSA met with the Board Chairman and I to conduct an exit conference. During that time, OSA shared information revealed about the institution during the period of the scheduled review. OSA also stated there were no findings that warranted a written report.

At the November 28, 2017 Board of Trustees meeting, an additional exit conference was conducted by OSA and the full Board. OSA informed the Trustees of the findings and recommendations, and stated the audit had concluded. OSA again stated that the College would not receive a written report from their office because the findings of the audit did not meet the criteria for a written report.

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However, on Tuesday March 27, 2018, I received a call from OSA informing me that the College would indeed receive a written report of the audit. I also received subsequent documentation from SACSCOC that indicated that OSA sent an email to their agency on December 15, 2017.

This email informed SACSCOC of allegations that OSA initially deemed unworthy of a written report. This email also proves that OSA's investigation continued well after they stated that the audit was over. This brings to question OSA's motives for continuing an audit that had supposedly concluded, and documenting the report that was initially deemed unworthy of a written report.

This letter is a response to the draft Audit Findings and recommendations. In Findings and Recommendations #1 OSA alleges that "The College may have violated SACSCOC Principles of Accreditation."

The report states that the brother of the R-CCC Board of Trustees is employed as the Plant Operations Foreman and acting Director of Facilities and Maintenance. This relationship may be a violation of the SACSCOC Principles of Accreditation; Section 2.2 which states, "Both the presiding officer of the board and a majority of other voting members of the board are free from any contractual employment, or personal or familial financial interest in the institution."

- In response to this audit finding, **both** the presiding officer **and** a majority of other voting members clearly means that the Chairman and at least six other voting members of the Board would be free from any contractual, employment, personal, or familial interest in the institution. R-CCC board policy (5.1) states that seven Trustees constitutes a quorum, which would be the majority of the Board.

None of the Trustees have any contractual, employment, or personal interest in the institution. Upon the resignation of the last Interim President, the Chairman and the Trustees were made aware of the Chairman's brother's new position as well as several other employees that had a change of title and/or salary increases without Trustee knowledge or approval. The Chairman recused himself from all personnel deliberations regarding his brother, and the minutes of the Board reflect this. The Board took the following action: The Chairman's brother no longer serves as the Interim Director of Facilities and Maintenance, and is currently employed as the Plant Operations Foreman.

Roanoke-Chowan Community College recently completed and submitted our SACSCOC *Fifth-Year Interim Report* without negative actions. This report was submitted in September of 2017 and the Commission voted to reaffirm the institution at the SACSCOC Annual Conference in December 2017. In addition, to addressing 17 select standards of the Principles of Accreditation; the Commission requested the two most recent State audit reports. Upon review of the audits, the institution was deemed compliant and was not required to submit additional information. In respect to the possible violation of Principles of Accreditation, Section 2.2, SACSCOC would not have granted reaffirmation if there were a violation.

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In Findings and Recommendation #2 OSA alleged that "The College failed to timely bill for student sponsorships for over a year. It should be noted that OSA documented that the Business Office had high turnover and nearly all of the personnel within the office held their positions for less than a year. At present, all sponsorships have been billed that were received. An Accounting Technician – Accounts Payable and Sponsorship position was filled to increase timeliness of billing. The employee has been trained to process sponsorship and the employee has also been instructed to process all billing in a timely manner.

In response to the Audit Findings and Recommendations, the College has taken the following corrective actions:

- The controller will review a sponsorship receivables report after the ten percent point of the semester and again at the end of the semester to ensure that all billing is processed in a timely manner.
- The sponsorship technician will maintain a spreadsheet as a means of reporting the progress of all sponsorship billing to include sponsor's ID number, sponsorship code, date billed, amount billed, date paid and receipt number once the payment is posted to the sponsorship.

In the section labeled Matters for further consideration, the allegation that the high turnover rate is linked to Board involvement. OSA could not substantiate this claim. OSA also noted that the investigation could neither prove nor disprove the Board of Trustees involvement in the College's daily operations.

The governing board has a clear and appropriate distinction between its role as the policy making function of the board, and the responsibility of the administration and faculty to administer and implement policy. The R-CCC Trustees do understand however, that it is their fiduciary responsibility to govern the policies to ensure the successfulness of Roanoke-Chowan Community College. They adhere to the power and duties of Trustees that are outlined in the Community College Laws of North Carolina in Section 115D-20.

Roanoke-Chowan Community College takes its obligations to the citizens of this county and state very seriously. We provide a valuable service to the citizens of Hertford, Bertie and Northampton Counties and we strive to be good community partners while maintaining the highest standards of integrity. We value and appreciate your service to the State of North Carolina and thank you again for the opportunity to respond to the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. J. Elliott", is written over a horizontal line.

Stanley J. Elliott, Ph.D.  
President-Roanoke-Chowan Community College

# ORDERING INFORMATION

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## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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For additional information contact:  
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**919-807-7513**



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This investigation required 728 hours at an approximate cost of \$74,984.