

STATE BOARD OF COMMUNITY COLLEGES**Procedure to Restrict Changes to Annual Audit Sample Records**

Request: The Board is asked to approve the following statement regarding an audit procedure restricting certain changes to Community College records that are identified as part of the sample to be reviewed during the college's annual audit:

"Once the college president receives the engagement letter announcing the annual audit and the list of required information and class records to be reviewed, no changes shall be made to any documentation or calculation of Full-Time Equivalent (FTE) hours pertaining to the class records identified in the sample."

The statement would be included in the NCCCS Audit Services "Community College Audit Procedures" and in the audit engagement letters sent to colleges to initiate the annual audit.

Background: North Carolina Community College System program auditors have encountered several situations where colleges are correcting records after they have been identified as a part of the annual audit sample. Some of this correction is based on the colleges' internal audit procedures and the ability to make Institutional Class Report (ICR) corrections for up to three terms after an original report. Others were just checked and corrected as they were being pulled by the college for the sample. It is good that colleges are checking records, but colleges and the State need to demonstrate rigor and due diligence in our auditing procedures. The three terms allowed for ICR corrections is an important policy, and the goal is to coordinate audit procedures with that policy. While it is a standard auditing procedure used by the Office of the State Auditor that no records can be changed after they have been identified as part of an audit sample, Audit Services has no written documentation that can be referenced for colleges in preparation for an audit.

This issue was discussed at a January 2009 meeting of the Audit Services Task Force which is a committee organized by the North Carolina Association of Community College Presidents to advise on auditing issues and has representation from colleges and the System Office. It was clarified that a procedure restricting record changes would pertain only to how FTE hours may have been counted and reported, and did not include procedures such as the college providing additional information after the audit had begun. A draft procedural statement was developed based on this discussion and was distributed among the Task Force members for review. The draft statement was also shared with the Accountability and Audit Services Committee of the State Board of Community Colleges in February 2009. The statement received the Committee's unanimous endorsement and need for action upon the approval of the Task Force. The Task Force's approval and recommendation to seek State Board approval of a written procedure was received in the latter part of February.

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