

NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

College Audit Findings Summary

Fiscal Year 2007-2008

Findings	Recommendation	Response	
Central Piedmont Community College	The college granted access rights inconsistent with adequate segregation of duties, in that employees had the ability to initiate transactions and process them to completion.	Management should evaluate and reassign systems access rights as necessary to better segregate duties and enhance internal control.	The college has performed a thorough review of employee access rights and has made the necessary adjustments to ensure adequate segregation of duties.
	The financial statements prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements.	The college has reviewed and adjusted the processes and controls surrounding financial statement preparation and will continue to monitor by performing a post financial statement process review to develop best practices.
Durham Technical Community College	The financial statements and notes prepared and presented for audit by the college contained significant errors that required audit adjustments to ensure proper presentation of the financial condition and results of operations.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements. The college should perform an adequate review of the journal entries posted to the general ledger to ensure that entries are appropriate and adequately supported.	The college has implemented personnel changes designed to strengthen internal control procedures and provide more effective review of all financial transactions and the related entries to record those transactions.
	The college did not properly perform monthly bank reconciliations for institutional and county funds, resulting in an audit adjustment of \$39,269 to correct the cash balance.	The college should establish procedures to ensure that all bank accounts are reconciled completely, accurately and timely.	The college has reassigned the responsibility for bank statement preparation to more experienced staff so that bank reconciliations for all accounts are reconciled in a timely fashion.
	The college did not properly prepare for the July 1, 2007 implementation of the Colleague ST module used to maintain student accounts, resulting in a significant portion of the receivables balance being recorded twice. Additionally, the college inadequately reviewed accounts receivable at year end, resulting in uncollectible accounts being included in the account balance.	The college should recognize that significant changes such as implementing new systems heighten the risk of error in the financial statements and should implement effective internal control procedures to address the increased risk. Additionally, the college should implement proper policies and procedures to ensure accounts are sufficiently reviewed at year end to avoid significant misstatements in the financial statements and note disclosures.	The college has implemented personnel changes and reassignment of duties among business office staff enhance internal control and promote operational efficiency and accountability. Additionally, business office staff will be required to participate in ongoing training for the new accounting system modules as opportunities for such training is made available through the Community College System training support staff.

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Halifax Community College	The financial statements prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements. The staff in the business office must receive additional training of the accounting system in order to effectively utilize the full potential of the accounting software.	The full implementation of the CIS software combined with two key employees retiring caused the college difficulty in financial reporting for both 2006-07 and 2007-08. The college has since made all necessary adjustments and staff is taking advantage of all ongoing training offered by the Community College System.
	The college did not establish adequate controls over Event Center ticket sales in that no reconciliation of tickets returned to tickets sold posed an increased risk of error or misappropriation.	The college should establish written policies and procedures for implementing controls that safeguard, document and reconcile the distribution and sales of tickets.	The college has abolished the practice for tickets that was in place and is developing procedures and forms to ensure that all tickets and revenue for the Event Center are properly and timely reconciled.
	Bookstore receipts in the amount of \$4,588 were misappropriated during the months of July 2007 through April 2008 because the college did not have adequate procedures in place to ensure that collections were properly deposited and recorded to the general ledger.	The college implemented changes during May 2008 to improve the internal controls in the cashier's office by requiring signatures of both the depositor and cashier who receipts the money verifying the deposit amount. The college should ensure that this procedure is being followed consistently.	The college has implemented procedures to verify that deposits are reconciled to backup documentation from the cash collection points on campus and all departments making deposits are also required to reconcile the receipt from the cashier's office to their documentation.
	The college did not complete and/or retain employment eligibility verification forms (I-9) within three days of employment as required.	The college should implement procedures that will ensure that employees complete the employment eligibility form (I-9) at the time of hire or no later than the third working day, and should also ensure that all retention requirements are met.	The college was able to complete I-9 forms on all of the employees identified in the audit sample and is currently reviewing all personnel files to ensure proper documentation is on file for all employees. The Personnel Director will review documentation to ensure that I-9 forms are properly completed before new hires are set up for payroll and no pay check will be issued without proper documentation in place. All I-9 forms will be kept on file for the required retention period.

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McDowell Technical Community College	The financial statements prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements.	The college went through a change in administration in the Fiscal Affairs division that contributed to these misstatements, but will ensure that the staff involve in the year-end closing has adequate training and experience related to these matters in advance of next fiscal closing.
	The college granted access rights inconsistent with adequate segregation of duties, in that employees had the ability to initiate transactions and process them to completion.	Management should evaluate and reassign systems access rights as necessary to better segregate duties and enhance internal control.	The college finds it difficult to properly segregate the duties assigned due to lack of resources and personnel, but has implemented additional compensating controls along in addition to controls already in place.
	Purchase authorizations were not properly in place and documented in that of a sample of 30 purchases, 7 did not have proper authorization. There were instances where purchase orders were issued without evidence of an authorized requisition, or were issued after the purchases were complete.	The college should strengthen internal controls to ensure that purchases are properly authorized and supporting documentation is maintained.	The college finds it difficult to properly segregate the duties assigned in the purchasing area due to lack of resources and personnel, but has implemented additional compensating controls along in addition to controls already in place.
Pitt Community College	The financial statements and related notes prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements and notes.	The college agreed with the audit finding and made the recommended adjustments relating to the two misstatements listed in the full audit report.
	The college granted access rights inconsistent with adequate segregation of duties, in that six employees can perform the entire accounts payable process while two employees in the Registrar's office can register students and award them financial aid.	The college should review access rights to ensure that personnel are only granted the system access needed to perform their job function and that duties are adequately segregated.	The college agreed with the findings and restricted access rights as appropriate.
Roanoke-Chowan Community College	The financial statements prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements.	The college agreed with the audit finding and addressed each of the items as listed in the full audit report.

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Roanoke-Chowan Community College <i>(cont'd)</i>	The college used funds restricted for specific purposes to cover cash deficits in other funds and may have violated contractual restrictions on these funds by using them, temporarily, for unallowable purposes.	The college should monitor the cash balances in the individual funds to ensure that sufficient unrestricted money is available to cover temporary deficit balances, as well as take measures to address any cash flow problems.	The college agreed with the finding and will reconcile each fund monthly to ensure that cash deficits between restricted and unrestricted funds do not occur.
Sandhills Community College	The financial statements and related notes prepared by the college contained a number of misstatements that were corrected as a result of the audit.	The college should place greater emphasis on the year-end financial reporting process by implementing effective controls to ensure complete and accurate financial statements and notes. Management should implement policies and procedures to reconcile financial records to underlying subsidiary ledgers.	The college agreed with the audit finding and addressed each of the items as listed in the full audit report.
	The college did not assign information system access rights to ensure adequate segregation of duties and to limit access based on job functions. As a result, there was an increased risk of error or misappropriation occurring without detection. Two directors have unnecessary access to all critical financial screens, the payroll accountant can perform the hiring and payment process from start to finish, and three employees have access to cash receipting even though their job duties do not require them to receive cash.	Management should evaluate and reassign system access rights to better segregate duties and enhance internal control. In situations where segregation of duties is not possible, the college should implement effective compensating controls.	Management implemented compensating controls in the form of approvals required for the two directors' activities, reassigned the function of adding employees to the system away from the payroll accountant, and eliminated cash receipting access from the three employees who do not perform that function.
	The college has internal control deficiencies related to cash receipts and the safeguarding of cash that increase the risk of loss or misappropriated cash. Automotive department receipts logs are not reconciled to deposits, cashiers in continuing education close their own sessions and count their own receipts, and all business office employees have access to any cash in the vault.	The college should enhance its internal controls over cash receipts and safeguarding of cash on hand to correct these deficiencies.	The automotive department's receipts are now reconciled by the business office, two continuing education employees now count and sign off on each receipting session, and vault access has been limited.

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Wayne Community College	The college granted access rights inconsistent with adequate segregation of duties, in that employees can perform the entire accounts payable process without management review and can perform bank reconciliations for all cash accounts.	Management should evaluate and reassign system access rights to better segregate duties and enhance internal control. In situations where segregation of duties is not possible, the college should implement effective compensating controls.	The college has created additional security classes to restrict access to only those screens necessary for assigned job duties and has implemented compensating controls where full segregation is not possible.