

**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

College Audit Findings Summary

Fiscal Year 2008-2009

	<b>Findings</b>	<b>Recommendation</b>	<b>Response</b>
Brunswick 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 and implement effective controls to ensure the accuracy of financial statements.	The college will create a year-end checklist to verify that the discrepancies listed will not be repeated.
	The college did not properly perform monthly bank reconciliations for institutional funds, resulting in an audit adjustment of \$72,834 to correct the cash balance.	The college should ensure that all bank accounts are reconciled completely, accurately, and timely. The reconciliations should be reviewed and approved by someone other than the preparer.	The reconciliation will be prepared by a non-accounting employee after proper training has been conducted. In the future, all reconciliations will be initialed as they are reviewed.
	The college did not reconcile its student accounts receivable ledger to the general ledger resulting in a difference of \$52,440. Also, the college made other errors that resulted in overstatement and understatement of balances.	The college should reconcile the student accounts receivable balance to the subsidiary ledger. In addition, the college should ensure that beginning balances are appropriately reversed before recording year-end amounts.	The college will continue to work with the NCCCS Accounts Receivable Subject Matter Expert to address the problems.
	The college did not reconcile the capital assets recorded on its financial statements to its capital asset subsidiary ledger. Four buildings valued at \$15,047,100 were not included in the subsidiary ledger and as a result, no depreciation was calculated leading to an understatement of \$148,626. Other deficiencies included assets in the accounting records that were disposed of years ago, equipment capitalized that should have been expensed, and assets in the accounting records that should have been written off in a prior period.	The college should design and implement adequate internal controls to ensure that capital assets are properly capitalized, tagged, and inventoried. Items no longer on hand should be removed from the subsidiary ledger and the financial statements. The college should also adjust the value of capital assets when assets are impaired.	The college will incorporate the audit findings into updated procedures for inventory control and year-end closing.
	The college did not assign information system access rights to ensure adequate segregation of duties and to limit access to employees who need it to perform their job functions. As a result, there was an increased risk of error or misappropriation occurring without detection. Three employees had system access rights that are broad and unnecessary for the duties they perform.	The college should take the appropriate steps to ensure that an individual's rights are granted at the minimum level required to perform one's job duties and this access should be evaluated to ensure that duties are adequately segregated.	Access rights are now granted to employees at the minimum level needed to perform their job duties.

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Brunswick Community College (con't)	The college did not have adequate controls in place to ensure daily receipts were deposited intact. In addition, voided transactions were not reviewed for appropriateness.	The college should require that daily cash analysis packets be reviewed to ensure that all funds received have been deposited. Voided transactions should be reviewed to ensure they are all valid.	DCA packets are now reviewed to ensure all funds received are deposited.
Cape Fear 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 and review and modify its internal controls to ensure the accuracy and completeness of the financial statements.	The college is improving the financial statement preparation process by utilizing an additional accountant, revising review procedures, and including additional internal controls to ensure the accuracy and completeness of the process.
Catawba Valley Community College	The college did not maintain adequate internal control over access to its computer systems and data. Employees were assigned access rights to the accounting system that did not support proper segregation of duties.	The college should take appropriate steps to strengthen internal control over access to the computer systems and data and address the deficiencies.	The college is implementing stronger, more effective controls over access to computer systems. The college is also educating staff regarding the appropriate use of username and password protection along with terminating access rights for all separated employees.
	The college did not have effective internal controls over journal entries entered into the accounting records. The college did not have a formal policy or procedure requiring review and approval of journal entries and supporting documentation.	College personnel should enhance internal controls to ensure proper management oversight of journal entries entered in the accounting records.	The college has implemented procedures that provide management oversight for the journal entry process.
Edgecombe 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 and review and modify its internal controls to ensure the accuracy and completeness of the financial statements.	The college is devoting more resources to the year-end process. Appropriate staff have added responsibilities to increase involvement in the year-end processes. The Vice President of Administrative Services will also devote time to reviewing the financial statements.
	The college did not assign information system access rights to ensure adequate segregation of duties and to limit access to employees who need it to perform their job functions. As a result, there was an increased risk of unauthorized or inappropriate transactions.	The college should evaluate and reassign system access rights as necessary to better segregate duties and enhance internal control. If situations exist where segregation of duties is not feasible, the college should implement compensating controls.	Access rights have been reviewed for all business office personnel. A cashier position has been added to provide greater segregation of duties.

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Mayland Community College	The college did not maintain adequate internal control over access to its computer systems and data. Employees were assigned access rights to the accounting system that did not support proper segregation of duties.	The college should take appropriate steps to strengthen internal control over access to the computer systems and data. Employee's access rights should be limited to those that are necessary to perform their jobs.	The college is updating and implementing changes to ensure access rights assigned to business office personnel support a proper segregation of duties. The college made changes to job duties in the areas of concern and as a result, employee access rights are limited to those necessary to perform their respective job 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 implement effective internal controls to ensure the completeness and accuracy of the financial statements.	The college is implementing more effective internal controls to ensure accurate and complete financial statements.
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 involved 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 27 purchases, 8 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 in addition to controls already in place.
Montgomery Community College	The college did not have controls in place to ensure all cash receipts were deposited. Also, the monthly bank reconciliations were not reviewed and approved by someone other than the preparer.	The college should strengthen internal controls to ensure all receipts are deposited.	New procedures have been adopted to ensure adequate controls over handling and processing accounts receivable checks. Use of written logs along with greater emphasis on segregation of duties have been installed.

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Montgomery Community College (con't)	The college did not adequately segregate duties over payroll. The Human Resources Coordinator had unlimited access to the payroll and personnel systems.	The college should adjust the Human Resource Coordinator's system access to ensure that duties are properly segregated.	The college has restructured the duties of the Human Resources Coordinator and also adjusted the access of employees to reflect the needs of their position. Also, a new approval process is in place for the full time payroll process as adjustments are now approved by the Vice President of Administrative Services.
Nash Community College	The college did not assign information system access rights to ensure adequate segregation of duties and to limit access to employees who need it to perform their job functions. Employees in the business office were identified who had system access rights that are broad and unnecessary for the duties they perform.	The College has taken the appropriate steps to assign access rights to address the risks of material misstatement per OSA.	The College has taken the appropriate steps to assign access rights to address the risks of material misstatement per OSA.
Pamlico Community College	The financial statements prepared by the College contained misstatements that were ultimately corrected as a result of our audit.	The College should place greater emphasis on the year-end financial reporting process and implement effective internal controls to ensure the accuracy and completeness of the financial statements, including an independent review of the supporting journal entries.	The College will place greater emphasis on the year-end process as follows: a full time Vice President of Administrative Services is in place (an interim served in that capacity June-September, 2009), thereby ensuring continuity from the end of the fiscal year through the year-end process to the next audit; the Vice President of Administrative Services is responsible for internal controls, independent review of all journal entries, the year-end financial reporting process, and accurate and complete financial statements; the Business Office has been organized to separate the preparation, approval, and entering of journal entries; the Administrative Council (president and vice presidents of student services, instructional services, and administrative services) will be involved in the preparation of the Management Discussion and Analysis; and the Administrative Council will review the completed financial statements before submission to the state controller's office.

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Piedmont 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 and implement effective internal control to ensure the completeness and accuracy of the financial statements and notes. The college should implement policies and procedures to reconcile financial records to the underlying subsidiary ledgers.	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.
Richmond 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 and implement effective internal control to ensure the completeness and accuracy of the financial statements.	The college hired a new Chief Financial Officer and 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.
	The college had internal control deficiencies related to departmental cash receipts and the safeguarding of cash. Receipts sequence was not verified and receipts from the Registrar's Office were not submitted to the Business Office in a timely manner. Also, bookstore receipts were not reconciled to cash register receipts.	The college should enhance its internal controls over cash receipts and safeguarding of cash to correct the deficiencies noted above. The collection and accounting for the NET should be placed with the College and removed from the Foundation.	The cashier now verifies the sequence of receipts and accounts for all receipts when departments submit deposits. The Registrar's Office no longer collects funds as that function has been transferred to the Business Office Cashier. The college bookstore now prints a report showing daily collections and the report is forwarded to the Business Office daily.