

NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
College Audit Findings Summary
Fiscal Year 2009-2010

Attachment AUD 2

Findings	Recommendation	Response	
Cleveland Community College	The college granted access rights inconsistent with adequate segregation of duties, in that employees had access to more functions than necessary for their individual jobs.	Management should evaluate and reassign job duties and system access rights as necessary to better segregate duties and enhance internal control.	The College removed the access rights for this employee to process general expense checks. The College has reviewed and changed system access rights for business office employees to ensure proper 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 and implement effective internal controls to ensure the accuracy and completeness of the financial statements. Further, the College should consider whether its accounting staff could benefit from additional training on financial reporting matters.	The College is in the process of reviewing internal controls and procedures in order to ensure the completeness and accuracy of the financial statements.
Gaston 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.	The College should strengthen internal control by ensuring that incompatible duties within its business processes are segregated.	Internal controls have been modified to address the concerns identified during the audit.
Pitt 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 strengthen internal controls to ensure the accuracy and completeness of the financial statements. This process should include an independent review of supporting journal entries. Further, the College should consider whether its accounting staff could benefit from additional training on financial reporting matters.	The College concurs with the audit finding and recommendation. The College agrees to improve its year-end procedures by utilizing additional review processes for its manual journal entries and the financial statement preparation and review process. The College concurs with the recommendation the ongoing training for our accounting staff enhances our ability to keep abreast of changing accounting policies and procedures.

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<p>Southeastern Community College</p>	<p>The financial statements prepared by the college contained a number of misstatements that were corrected as a result of the audit.</p>	<p>Management should implement policies and procedures to strengthen internal controls over financial reporting to ensure the accuracy of the financial statements.</p>
<p>The College holds an investment in a mutual fund that may not qualify as an allowable investment option under North Carolina General Statute 159-30(c) and other statutes referenced therein. College staff concluded that the investment met the statutory requirements; however, we concluded based on our reading of the law that this is not the case. At June 30, 2010, the fair value of the investment was \$367,260, which represented 74% of the College's investments.</p> <p>General Counsel for the North Carolina Community College System Office has requested an opinion from the North Carolina Department of Justice on this matter. This opinion may differ from our interpretation.</p>	<p>If the legal opinion received from the Department of Justice indicates that the investment is not allowable, the College may have to divest its funds from the unauthorized mutual fund. However, we believe that this should only occur when those responsible for the College's investment decisions feel it is economically prudent to do so.</p>	<p>The College concurs with the audit finding and recommendation. College personnel agree to implement policies and procedures to strengthen internal controls over financial reporting. Also, the College hired an additional accountant this year, enabling management to assign the statement preparation to multiple employees with a more effective review process emphasizing accuracy of the financial statements.</p> <p>The College disagrees with the North Carolina State Auditor's interpretation that the referenced mutual fund is not an allowable investment option under North Carolina General Statutes. General Counsel for The North Carolina Community College System Office agrees that the College's interpretation is reasonable. Further, given the potential ambiguity of the statute, General Counsel has requested an opinion from the North Carolina Department of Justice on this matter. If the legal opinion received from the Department of Justice does indicate that the investment is not allowable, the College will follow the recommendation made by the State Auditor and divest itself from this mutual fund as soon as it is economically prudent to do so.</p>