

STATE BOARD OF COMMUNITY COLLEGES

Rewrite of “Audit Procedures” – Administrative Review

Discussion Item

The Policy Committee will discuss the need to examine and re-write the “Audit Procedures – Administrative Review”, otherwise and more commonly known as the audit guidelines and steps for “Program Auditing.” The Policy Committee may elect to make policy changes related to action, and move this item to the Audit and Accountability Committee (fast track) for the purposes of implementing revised audit procedures for Fiscal Year 2011-12 for the auditing of records from 2010-11.

Background

Since the enactment of the Sarbanes-Oxley Act in June of 2002, a major area of emphasis in both accounting and auditing has been “internal control.” Internal control is a means by which an organization’s resources are directed, monitored and measured. It plays an important role in preventing and detecting fraud, and protecting both the tangible (funds) and intangible (reputation) resources of an organization. At the community college level, internal control objectives relate to both the reliability of (financial) reporting and compliance with laws (General Statutes) and regulations (Administrative Code).

In the North Carolina Community College System there are two entities that validate controls. Externally, the Office of State Auditor conducts independent biennial financial audits of all 58 colleges, reviewing federal funds and financial statements. Increasingly however, the State Auditor’s staff spends a substantial amount of their time focused upon internal controls. The reason is that institutional practices related to strong internal control reduces risks related to the management of funds; ensures that safeguards are in place to prevent error or fraud; and facilitates accurate financial reporting to the state.

Internally, the State Board of Community Colleges has an Office of Audit Services (OAS) that annually conducts program audits at each of the 58 colleges. The purpose of the OAS in relationship to the annual education program audit is “to ensure that college programs and related fiscal operations comply with State Law, State regulations, State Board policies, and System Office guidance.”¹ In effect, the OAS examines college records of student attendance, program approvals, and other documents to ensure that appropriate controls lead to the accurate reporting of full-time equivalencies (FTE) for the purpose of budget resource allocations.

Over the years, however, the scope of the OAS audits has been expanded to include such items as Board of Trustees minutes and “must know” items; an evaluation of the president; college personnel policies, planning and institutional effectiveness; and other such items that detract from the critical purpose of validating those records and files that document appropriate reporting – an internal control function. This “scope creep” has resulted in the expenditure of time and resources by both the auditors and the college personnel that create unnecessary

¹ General Statute 115D-5(m)

burdens, cause anxiety and frustration on the part of all parties, and that takes the focus off the examination of attendance records and program approvals. It is time to revisit the scope of program audits, and pare away audit steps and activities not associated with college programs and related fiscal operations.

Recent and Current Review Activities

Over the past several years, the “Program Audit Task Force”, made up of college presidents, academic officers and System Office staffs, has met to address and clarify procedures and processes related to audit questions. More recently, one-half day was devoted to a session entitled “Removing the Mystery of Program Auditing” at the spring 2011 President’s Association meeting. Finally, in May a survey was administered by the President’s Executive Committee that indicated concern about the program audit process. The results indicated that 17 community college presidents felt that the State Board should make changes to the audit process.

Recommendation

That the Policy Committee discuss and consider the need for modification (re-write) of the “Audit Procedures – Administrative Review” documents that serve as the basis of an annual program audit, and do so in such an expeditious manner as to enact those changes for the 2011-12 audit cycle.

Responsible Persons

Scott Ralls – System President
Kennon Briggs – EVP & COS

DRAFT of Revised Audit Procedures

<u>Section</u>	<u>Description</u>	<u>Eliminate</u>	<u>Multi-Year Audit</u>	<u>Every Year Audit</u>	<u>NEW - Required by Legislation</u>
1.01	Audit Entrance Conference	Possibly			
2.01	Audit Reports & Boards of Trustees Must Know Items Review	*			
2.01A	NCCCS Audit Services Report for Prior Year	*			
2.01B	Board of Trustees "Must Know Items" per State Board policy	* (1)			
2.02	Planning and Institutional Effectiveness	*			
	a. Institutional Effectiveness	*			
	b. Business Continuity Plan	*			
	c. Communicable Disease Plan	*			
2.03	Continuing Education Accountability & Credibility Plan Review	[Class visit authority will be handled within the Board Code]			
3.01	Evaluation of College President Review	*			
4.01	College Personnel Policies	*			
5.01	Semesters Included in Audit Samples and Enrollment Trends	[These items are for Auditors ONLY - No college involvement]			
6.01	Summary of Semester Samples Selected for Review	[These items are for Auditors ONLY - No college involvement]			
7.00	Academic Calendar: Summer (7.01); Fall+Spring (7.02); Alternative			*	
8.00	Curriculum Records Review			*	
8.01	Curriculum Termination Review	*			
8.02	Curriculum Programs of Study [To Be Revised]	*			
8.03	Carl Perkins/Tech Prep Articulation Agreement	*			
8.04	Curriculum Records Retention & Disposition Schedule		*		
9.01	Curriculum Skills Lab Review (will change)			*	
10.01	Cooperative Education Program Review (COE)			*	
11.00 thru	Cooperative Education Program Review: Program for Minors; Huskins;	*			
11.03	Joint High School Programs; Learn & Earn Online; Intellectually Gifted/Mature	* *			
12.01	Computer Audit Program Results			*	
13.01	Criminal Justice Certification Review			*	
14.01	Captive/Co-opted Approvals Review (will change)			*	
15.01	Instructional Service Agreements			*	

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16.01	Curriculum Self-Supporting	*			
17.00	Continuing Education Records Review			*	
17.01	Continuing Education Records Retention & Disposition Schedule		*		
17.02	Basic Skills Review	*			
17.03	Adult High School Completion Review	*			
18.01	Customized Training Program Review	*			
19.01	Public Safety Training Review			*	
20.01	Computer Audit Program Results - XPA			*	
21.01	Continuing Education Criminal Justice Certification Review			*	
22.01	Continuing Education Captive/Coopted Approvals Review			*	
23.01	Continuing Education Instructional Service Agreements Review			*	
24.01	Continuing Education Self-Supporting Review	*			
25.01	Miscellaneous Reviews: warranted by previous year findings, issues noted, complaints received			*	
26.01 thru 28.01	Class Visits: Curriculum and Continuing Education Worksheets - Auditors' Use Only/No college requirement				[These items are for Auditors ONLY - No college involvement]
29.01	Exit Conference		Will be Revised		
NEW	No State Funds for Intercollegiate Athletics - GS 115D-42.1				*
NEW	Career & College Promise - GS 115D-20(4)				*

Notes:

(1) - These items could be examined every three years; however, the State Audit Report and Program Audit; should be reported to the Board of Trustees every year.