NUMERATED MEMORANDUM

TO: Presidents
FROM: Elizabeth Self, Executive Director, Audit Services
SUBJECT: Education Program Audit Procedures FY 2014-2015

The information listed below outlines the major components of the annual program audits to be conducted during the 2014-2015 fiscal year. This numbered memo supersedes CC13-018, Audit Procedures FY 2013-2014.

The audit procedures vary somewhat from previous years due to changes in legislation, Title 1 of the State Board of Community College Code (SBCCC), State Board of Community Colleges (SBCC) action, NC Community College System Office (NCCCS) Numbered Memoranda, and recommendations of the State Auditor. The core components of the audits essentially remain the same as in the past few years. While there are no additional audit procedures, the following changes in the FY 2014-2015 procedures are noted:

The following areas of review have been removed:

- Board of Trustees Must Know Items Review, Financial Statement Audit
  Colleges will no longer be requested to verify that an audit of the college’s financial statements was conducted by the NC Office of State Auditor or a private CPA during the current period of review and that the findings were discussed with the colleges’ local boards of trustees.
- Curriculum Classes Pre-Requisites Review (State Pre-Requisites)
- Intercollegiate Athletics Review

Audit Review Process

I. Administration

A. Verification of the following requirements and discussion/approvals by the local Board of Trustees as included in meeting minutes:
   i. Annual Program Audit

B. Documentation of the most current Continuing Education Accountability/Credibility Plan to include a copy of local board minutes showing local board approval.
   i. Utilized to review the colleges’ student signature process/policy

No. Memo CC14-XXX
Email
II. Curriculum

A. A statistically valid Institution Class Report (ICR) Records Sample is identified to include the following areas:

i. Class records are reviewed to ensure that class hours reported for budget/FTE are accurate, and the ten-percent point (census date) was calculated accurately. Class records are reviewed to ensure that classes are scheduled based on the class hours listed in the Combined Course Library. All class hours reported for budget/FTE must meet reporting requirements per 1G SBCCC 200.93, Reporting of Student Hours in Membership for Curriculum Classes.

ii. Class schedules are verified, ensuring consistency with class hours reported for budget/FTE and that class hours are scheduled consistent with the reporting periods outlined in 1G SBCCC 200.99.

iii. The sample of class records requested are reviewed to determine if classes offered are in compliance with the existing Combined Course Library and the college’s approved program of study compliance document.

iv. Class documentation is reviewed to ensure student attendance has been properly noted on class attendance records, and attendance records have been signed by the instructor of record verifying accuracy.

Note: Reviews noted here are also applied to B-J below.

B. Curriculum Basic Skills Plus classes are reviewed to ensure that the college has State Board of Community Colleges’ approval to offer Basic Skills Plus. Verification of application of the appropriate fee waiver or alternate method of tuition and fees payment made is reviewed. Review of documentation (BSP 2000 class rosters) showing students enrolled in Curriculum Basic Skills Plus classes were also enrolled in the Literacy Basic Skills Program; these class rosters will be required in addition to those requested on the Curriculum sample of classes sheets provided.

C. Curriculum Skills Labs are reviewed to ensure the lab hours are reported consistent with 1G SBCCC 200.93, Reporting of Student Hours in Membership for Curriculum Classes, (d) Skills Laboratory or Computer Tutorial Laboratory. Instructor referrals and time cards must be available for review.

D. Curriculum Student Work Experience (WBL) documentation of participation in the work experience to include dates/times is required for reporting hours for budget/FTE and is reviewed to ensure regularly scheduled class hours as well as non-regularly scheduled class hours (contact hours) are reported consistent with 1G SBCCC 200.93, Reporting of Student Hours in Membership for Curriculum Classes, (f) Curriculum Student Work Experience and Clinical Practice.

E. Classes offered to Career and College Promise (CCP) students are reviewed to include program of study approvals and documentation that students enrolled in approved classes met eligibility requirements. Class records will also be reviewed to ensure students are coded correctly for participation in the program.
F. The following Computerized Audit (XPA) Reports* are reviewed:

   i. Curriculum Duplicate Class Report or XPAE
   ii. Cooperative Education or XPAA
   iii. Student Course Overlap for Curriculum and Continuing Education or XPAQ
   iv. Underage Students – Curriculum or XPAU
   v. Current Master Class Schedule or XPAC

*XPA Reports are utilized by college staff as a method of proactively addressing issues found in the reports. The reports provided to audit staff are those reviewed by college staff prior to the audit review.

G. Criminal Justice: Basic Law Enforcement Training certification classes are reviewed to ensure hours reported are consistent with the Combined Course Library, and the tuition or registration fee waiver is applied per N.C.G.S. 115D-5(2) and 1E SBCCC 800.97(a)(7)(C)*. Pre-delivery and post-delivery approvals and accreditation documentation should be available for review.

*This reference applies to the current period of review (Summer Semester 2013 – Spring Semester 2014). For next year’s period of review (Summer Semester 2014 – Spring Semester 2015), 1E SBCCC 800.2(c) which was effective May 16, 2014, will apply.

H. Captive Co-opted* Programs and Courses are reviewed to ensure that State Board of Community Colleges approval has been obtained for all classes offered to captive co-opted groups of students by community colleges and that the reporting of class hours for budget/FTE is in compliance with 1D SBCCC 700.98, Instruction to Captive Co-opted Groups.

*For audit review purposes, captive co-opted applies to state prisons only in regard to class hours reported for budget/FTE.

I. Instructional Service Agreements (ISAs) utilized for colleges to share class hours reported for budget/FTE are reviewed. The division of FTE is reviewed to determine that each college involved reports the applicable portion of FTE based on the ISA, and credentials are appropriately awarded to enrolled students.

J. Additional Reviews may be conducted as warranted by previous findings, high risk areas noted, college staff requests, concerns received, etc. If there seems to be reason(s) for the audit review to go beyond the normal scope, the rationale for doing so will be discussed with the NCCCS Executive Vice President and Chief Financial Officer. If it is decided that the audit review will go beyond the normal scope, the College President will be notified.

III. Continuing Education/Basic Skills Program

A. A statistically valid Institution Class Report (ICR) Records Sample is identified to include the following areas:

   i. The sample of classes pulled for review will include all areas of Continuing Education.
   ii. Class records are reviewed to ensure that class hours reported for budget/FTE are accurate, and the ten-percent point (census date) was calculated accurately. Class records are also reviewed to ensure scheduled hours do not exceed the hours listed in the Continuing Education section of the Combined Course Library (CCL). All class
hours reported for budget/FTE must meet reporting requirements of 1G SBCCC 200.94, Reporting of Student Hours in Membership for Continuing Education Classes.

iii. Instructor contracts are reviewed to verify that payments are consistent with class hours reported for budget/FTE. When class instructor contract modifications occur, they need to be documented, appropriately authorized, and provided for review.

iv. Class documentation is reviewed to ensure applicable registration fees have been collected or fee waivers have been granted appropriately, and student attendance has been appropriately documented on attendance records signed by the instructor of record.

v. Classes are reviewed to ensure compliance with the hours listed in the Continuing Education section of the Combined Course Library.

Note: Reviews noted here are also applied to B-G below.

B. Continuing Education Basic Skills Plus classes are reviewed to ensure that the college has State Board of Community Colleges’ approval to offer Basic Skills Plus classes. Verification of application of the appropriate fee waiver or alternate method of registration fees payment made is reviewed. Documentation (BSP 2000 class rosters) showing students enrolled in Continuing Education Basic Skills Plus classes were also enrolled in the Literacy Basic Skills Program are reviewed. These class records will be required in addition to those requested on the Continuing Education sample of classes sheet provided.

C. The following Computerized Audit (XPA) Reports* are reviewed:

   i. Student Course Overlap for Curriculum and Continuing Education or XPAQ
   ii. Underage Students – Continuing Education or XPAO
   iii. Duplicate Classes for Extension Students or XPAF
   iv. Current Master Class Schedule

*XPA Reports are utilized by college staff as a method of proactively addressing issues found in the reports. The reports provided to audit staff are those reviewed by college staff prior to the audit review.

D. Criminal Justice: Basic Law Enforcement Training certification classes are reviewed to ensure hours reported are consistent with the Combined Course Library, and the tuition or registration fee waiver is applied per N.C.G.S. 115D-5(2) and 1E SBCCC 800.97(a)(7)(C)*. Pre-delivery and post-delivery approvals and accreditation documentation should be available for review.

*This reference applies to the current period of review (Summer Semester 2013 – Spring Semester 2014). For next year’s period of review (Summer Semester 2014 – Spring Semester 2015), 1E SBCCC 800.2(c) which was effective May 16, 2014, will apply.

E. Captive Co-opted* Programs and Courses are reviewed to ensure that State Board of Community Colleges approval has been obtained for all classes offered to captive co-opted groups of students by community colleges and that the reporting of class hours for budget/FTE is in compliance with 1D SBCCC 700.98, Instruction to Captive Co-opted Groups.

*For audit review purposes, captive co-opted applies to state prisons only in regard to class hours reported for budget/FTE.
F. Instructional Service Agreements (ISAs) utilized for colleges to share class hours reported for budget/FTE are reviewed. The division of FTE is reviewed to determine that each college involved reports the applicable portion of FTE based on the ISA, and credentials are appropriately awarded to enrolled students.

G. Additional Reviews may be conducted as warranted by previous findings, high risk areas noted, college staff requests, concerns received, etc. If there seems to be reason(s) for the audit review to go beyond the normal scope, the rationale for doing so will be discussed with the NCCCS Executive Vice President and Chief Financial Officer. If it is decided that the audit review will go beyond the normal scope, the College President will be notified.

IV. Class Visitation (Pre, During and Post Audit Procedures)

A. Using the current semester schedule for Continuing Education courses and the current semester schedule for Curriculum courses, a sample of classes is selected for visitation.

B. Criteria considered when selecting classes include:
   i. Results of prior year’s class visits
   ii. Remote or unusual locations
   iii. Unusual course titles

C. For Curriculum and Continuing Education classes visited, the purpose is to ensure that the scheduled class is meeting as listed on the schedule provided and instruction is taking place.

V. Post-Audit Procedures

A. Findings noted in the audit report will be finalized after the audit review documentation and report have been reviewed by the Executive Director of Audit Services and Executive Vice President and Chief Financial Officer. A copy of the audit report will then be mailed to the College President. Audit findings will only include direct violations of the General Statutes or the State Board of Community Colleges Code (SBCCC). Issues identified by auditors that pose potential risk, but for which the SBCCC is ambiguous or rules have not yet been adopted, will be documented in a management letter to the college president. Such issues will also be forwarded to the Executive Vice President, who will in turn request the appropriate System Office division to recommend clarifying SBCCC language.

B. If there are findings, the college has 30 days from receipt of the preliminary audit report to respond in writing. When warranted and with a written request from the College President, extensions may be granted to allow a college additional time to develop a response. When submitting the written response to the NCCCS Executive Director of Audit Services, the College President may also request a conference with the Executive Director of Audit Services and/or the NCCCS Executive Vice President and Chief Financial Officer to present pertinent information regarding the finding(s). Any additional, pertinent information provided by college staff should be different documentation than that provided in the initial audit review. For example, the attendance record, verification of payment, instructor contract, etc. provided for the reporting of the class hours for budget/FTE at the time of the audit review cannot be replaced by secondary documentation of the same nature, or in other words, attendance record “B.” It is expected that, at the time of the audit review, accurate and final documentation which was used
when the class hours were reported for budget/FTE via the ICR will be provided. If the college provides additional, different documentation, time must be allowed for a secondary audit review.

When all information has been reviewed and a conclusion reached, a final audit report will be developed and forwarded to the College President. Upon receipt of the final audit report, if there is continued disagreement in regard to the findings by the college, a written appeal may be made to the State Board of Community Colleges (SBCC). This written appeal must be submitted within 30 days of receipt of the final audit report. The SBCC Accountability and Audit Committee will review the appeal and make its recommendation to the SBCC.

Auditors function in a coaching, consultative, and proactive manner. They are available to provide assistance to college staff with implementation of the laws, policies, procedures, guidelines, and reporting requirements as they apply to the audit review process. A listing of auditor assignments for FY 2014-2015 is attached. Contact information can be found at:

http://www.nccommunitycolleges.edu/finance-operations/audit-services/auditors-and-assignments

If you have any questions regarding the audit review process, please feel free to contact your auditor for assistance or contact me at the System Office at selfe@nccommunitycolleges.edu or telephone (919) 807-7224. We look forward to working with you and your college as you strive to meet the educational, workforce, and economic development needs of your communities and the State.

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Att.

e-copy: Jennifer Haygood, Executive Vice President
for Operations, Chief Financial Officer
System Office Vice Presidents
System Office Auditors
Chief Academic Officers
Senior Continuing Education Officers
Registrars
Student Development Administrators
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* Team Audit - Team Leader

Note: Assignments may change based on various changes within the Audit Services Division.