June 6, 2014

Dr. Ervin V. Griffin, Sr., President
Halifax Community College
Post Office Drawer 809
Weldon, NC  27809

Dear Dr. Griffin:

Enclosed is the final audit report of a finding from the education program audit conducted fiscal year 2013-2014 at Halifax Community College pursuant to North Carolina General Statute 115D-5(m). The college response dated June 2, 2014, included additional documentation that has now been reviewed and incorporated into the final audit results; however, there was not information that negated the audit findings. Therefore, a Continuing Education final audit exception with four findings, remains noted for the processes, procedures, classes, and programs reviewed.

For tracking purposes, please send an email to gardnerm@nccommunitycolleges.edu upon receipt of this report to confirm the report has been received.

Thank you for cooperating with the North Carolina Community College System (NCCCS) Audit Services staff during the performance of the audit.

Sincerely,

Jennifer Haygood
Executive Vice President for Operations
Chief Financial Officer

Enclosure

c: Bernella W. DeLaMora, Chair, Halifax CC Board of Trustees
   Elizabeth Self, Executive Director, NCCCS Audit Services

ec: Beth Wood, NC State Auditor
North Carolina Community College System

Final Audit Report for Halifax Community College
Audit Conducted: Fiscal Year 2013-2014
Records Reviewed: Spring Semester 2012-Spring Semester 2013

AUDIT METHODOLOGY

An education program audit was conducted at Halifax Community College by the North Carolina Community College System (NCCCS) Audit Services staff on the maintenance of records and the reporting of student membership hours as well as certain college procedures for Spring Semester 2012 through Spring Semester 2013. The audit was conducted to review selected class reports for this period. If disagreement exists, the college may appeal the audit findings to the State Board of Community Colleges (SBCC). The request to appeal and grounds for appealing the report findings must be submitted in writing within thirty days of receipt of the final audit report. The Board’s Accountability and Audit Committee will hear the appeal and make its recommendation to the State Board.

The major components of the annual education program audits to be conducted during the 2013-2014 fiscal year are outlined in Numbered Memorandum CC13-018, Program Audit Procedures FY 2013-2014. The scope of the program audit review includes, but is not limited to, the major components noted in CC13-018. Based on the various audit reviews conducted as outlined in CC13-018, additional information may be requested for clarification or to provide a clearly defined audit trail to ensure compliance with North Carolina General Statute 115D-5 and the State Board of Community Colleges Code (formerly the North Carolina Administrative Code).

Class visits are conducted on a random basis during the period of review but may be conducted at other times if necessary. If concerns are noted which result from these visits, the college is notified. Program reviews/class visits conducted for the current fiscal year are listed in Attachment I, Summary of Class Visits Conducted FY 2013-2014.

FINDINGS SUMMARY

Based on the site review, a Continuing Education final audit exception with four findings was noted and is discussed on the pages that follow.
FINAL AUDIT FINDINGS

CONTINUING EDUCATION EXCEPTION

In a review of the Continuing Education records, the following findings were identified. The related classes included in the finding are listed in the Summary of Audit Findings for Education Program Audit, Attachment A.

Finding One: In a review of the Continuing Education records, it was found that for the regularly scheduled classes listed in Attachment A that the classes were reported for budget/FTE occupational extension when the classes were actually Customized Training Program (CTP) classes. Since the classes were actually CTP courses, there was neither instructor pay (gratis instruction) nor evidence of payment of the applicable registration fee. Per the class prefixes noted in Attachment A, the classes were not always coded as CTP on the college’s Institution Class Report (ICR).

References

1G SBCCC 100.99(a-c) Budget FTE Funding, states, in pertinent part,
(a) All student membership hours generated by the college for a given class shall be counted for budget FTE purposes provided 100 percent of the instructional cost is paid from college funds (funds budgeted through the college's budget including State Current, County Current, or College Funds). These provisions apply to all instructional contracts which generate budget FTE including Basic Skills classes. For purpose of this Rule, instructional cost includes the salary of the instructor(s) as well as fringe benefits, supplies, materials, and travel paid from college funds. College-sponsored instruction shall not supplant existing training which may take place without the college's involvement. Following are Rule applications:

(1) A company or entity may reimburse the college for a given class up to 50 percent of the instructional cost. The student hours in membership generated in the class may be reported for budget FTE. If the college is reimbursed for more than 50 percent of the instructional cost for a given class, student hours in membership reported for the class shall be prorated in the same proportion as the college funding. If the college is reimbursed for 100 percent of the instructional cost, the class would be gratis [see Paragraph (b) of this Rule] and no budget FTE would be generated.
(2) In cases where a company or entity donates funds to a college with no expectation for instruction in return, these funds shall be treated as college funds and may be used to generate budget FTE.
(3) The community college shall not contract with a company or entity to provide training to its current employees.
(b) Any class for which the instructor's services are provided at no cost or for which the instructional cost is paid totally and directly by an external agency is a "gratis" class. In this situation, the class is reported as self-supporting, and does not generate budget/FTE. If a portion of the class is gratis, student hours shall be prorated accordingly.

(c) Categorical state allotments to colleges, except literacy and Human Resources Development, such as Small Business, Customized Training Programs, Community Service, and Block Grants do not earn budget/FTE and are not subject to the provisions of this Rule.

1G SBCCC 200.94(a) Reporting of Student Hours in Membership for Continuing Education Classes, states, in pertinent part,

(a) Regularly Scheduled Classes.

(2) Definition of Student Membership. A student is considered to be in class membership when the student meets all of the following criteria:

(A) Enrolled as evidenced by payment of the applicable registration fees, or obtained a waiver as defined in Paragraph (a) of Rule 1E SBCCC 400.99.

1G SBCCC 200.98(a,b) Customized Training Program, states, in pertinent part,

(a) Local colleges shall provide customized training programs for companies experiencing job growth, productivity enhancement needs, or creating technology investment to support the economic development of the State. Training programs for these companies shall be administered by the local college, with consultation and assistance from the department's System Office Economic Development staff.

(b) State funds are appropriated to the North Carolina Community College System office in a separate line to support the Customized Training Program. These funds shall be used only to support companies experiencing job growth, productivity enhancement or technology investment.

Finding Two: In a review of the Continuing Education records, it was found that for the non-regularly scheduled classes listed in Attachment A student contact hours were miscalculated.

Reference

1G SBCCC 200.94(b)(4-5) Reporting of Student Hours in Membership for Continuing Education Classes, states, in pertinent part,

(b) Non-Regularly Scheduled Classes.

(4) Calculation of Student Contact Hours for Non-Regularly Scheduled Classes. For these classes, actual time of class attendance for each student determined to be in membership shall be reported. Sixty minutes shall constitute an hour. Student contact hours for these classes
are the sum of all the hours of actual student attendance in a class in a
given semester.
(5) Maintenance of Records of Student Contact Hours. Accurate
attendance records shall be maintained for each class. Attendance records
shall be signed by the instructor or lead instructor, verifying their
accuracy, and shall be maintained by the college until released from all
audits as provided in the Public Records Retention and Disposition
Schedule for Institutions in the Community College System. Student
membership hours shall be summarized in the Institution Class Report and
certified by the president or designee.

Finding Three: In a review of Continuing Education records, it was found that for the
classes listed in Attachment A class hours were reported for budget/FTE for several students
who were fee waived inappropriately. The students were employed with the NC Department
of Public Safety (Caledonia Correctional Institution) as an Administrative Officer I and
Program Director II. These positions are not listed for fee waiver in the reference noted
below.

References

N.C.G.S. 115D-5 (b) Administration of institutions by State Board of Community Colleges;
personnel exempt from North Carolina Human Resources Act; extension courses; tuition
waiver; in-plant training; contracting, etc., for establishment and operation of extension units
of the community college system; use of existing public school facilities, states, in pertinent
part,
In order to make instruction as accessible as possible to all citizens, the teaching
of curricular courses and of noncurricular extension courses at convenient
locations away from institution campuses as well as on campuses is authorized
and shall be encouraged. A pro rata portion of the established regular tuition rate
charged a full-time student shall be charged a part-time student taking any
curriculum course. In lieu of any tuition charge, the State Board of Community
Colleges shall establish a uniform registration fee, or a schedule of uniform
registration fees, to be charged students enrolling in extension courses for which
instruction is financed primarily from State funds. The State Board of Community
Colleges may provide by general and uniform regulations for waiver of tuition
and registration fees for the following:
(1) Persons not enrolled in elementary or secondary schools taking
courses leading to a high school diploma or equivalent certificate.
(2) Courses requested by the following entities that support the
organizations' training needs and are on a specialized course list approved
by the State Board of Community Colleges:
a. Volunteer fire departments.
b. Municipal, county, or State fire departments.

c. Volunteer EMS or rescue and lifesaving departments.

d. Municipal, county, or State EMS or rescue and lifesaving departments.

d1. Law enforcement, fire, EMS or rescue and lifesaving entities serving a local authority that was created by a county board of commissioners prior to July 1, 2012.

e. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.

f. Municipal, county, or State law enforcement agencies.

g. The Division of Adult Correction of the Department of Public Safety for the training of full-time custodial employees and employees of the Division’s Section of Community Corrections required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

Numbered Memorandum CC12-030 Waiver Reference Guide – Version 1.2, Authorized Organization, Division of Adult Corrections of the Department of Public Safety, and Division’s Section of Community Corrections, states, in pertinent part: “Job Classification(s): Persons authorized for eligible training. Full-time custodial employees of the Division of Adult Correction of the Department of Public Safety. *Employees of the Section of Community Corrections of the Division of Adult Correction required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice Education and Training Standards Commission.*

*For specific job titles, see Interpretive Rule found in Appendix C.*

**Finding Four:** In a review of the Continuing Education records, it was found that for the classes listed in Attachment A student hours were reported for budget/FTE when there was no evidence of payment of applicable registration fees. For the HRD 3006 01 10248 class listed in Attachment A, there was no signature on the required form adopted by the State Board of Community Colleges verifying that the criteria was met for a tuition waiver. For the MED 3030 02 10301 class listed in Attachment A, the registration fee for the class was paid after the class ended.

**References:**

1E SBCCC 800.99 (a-b) Fee Waivers for the Human Resources Development Program, states, (a) Tuition and fees for enrollment in courses coded in the Master Course List as Human Resources Development shall be waived if the student enrolling meets at least one of the following criteria:
Halifax Community College
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(1) Is unemployed;
(2) Has received notification of a pending layoff;
(3) Is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or
(4) Is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

Courses included in the Master Course List shall address the six core components set forth in Subparagraph (2)(f) of Rule 1D SBCCC 200.3; 300.3; 400.3; 500.1; and 600.1.

(b) Students for whom tuition and fees are waived shall sign a form adopted by the State Board of Community Colleges verifying that they meet one of these criteria.”

1G SBCCC 200.94(a)(c) Reporting of Student Hours in Membership for Continuing Education Classes, states, in pertinent part,

(a) Regularly Scheduled Classes.

(2) Definition of Student Membership. A student is considered to be in class membership when the student meets all of the following criteria:
(A) Enrolled as evidenced by payment of the applicable registration fees, or obtained a waiver as defined in Paragraph (a) of Rule 1E SBCCC 400.99.
(B) Attended one or more classes held prior to or on the 10 percent point in the class; and
(C) Has not withdrawn or dropped the class prior to or on the 10 percent point of the class.

(3) Student Membership Hour. A student membership hour is one hour of scheduled class or laboratory for which the student is enrolled. A college shall provide a minimum of 50 minutes of instruction for each scheduled class hour. A college shall not report more hours per student than the number of class hours scheduled in official college documents. Colleges shall not report more hours per student than the number of hours specified in the instructor’s contract.

(4) Calculation of Student Membership Hours for Regularly Scheduled Classes. Student membership hours are obtained by multiplying the number of students in membership at the 10 percent point in the class by the total number of hours the class is scheduled to meet as stated in official college documents.

(5) Maintenance of Records of Student Membership Hours. Accurate attendance records shall be maintained for each class. Attendance records shall be signed by the instructor or lead instructor, verifying their accuracy, and shall be maintained by the college until released from all audits as provided in the Public Records Retention & Disposition Schedule for Institutions in the Community College System. Student
membership hours shall be summarized in the Institution's Class Report and certified by the president or designee…. 

(c) Classes Identified as Extension Non-Traditional Delivery. 

(1) Definition. Due to the methodology by which instruction is delivered, non-traditional delivery classes are not consistent with the definitions of regularly scheduled or non-regularly scheduled classes described in this Rule. Non-traditional delivery classes are defined as those classes which are offered through media such as internet, telecourses, videocassette, and other electronic media excluding classes offered via the North Carolina Information Highway. 

(2) For those classes identified as non-traditional delivery, student attendance in class or in an orientation session, submission of a written assignment or a submission of examination is the basis for the determination of class membership at the 10 percent point of the class. Student membership hours in such classes shall be calculated by multiplying the number of students in membership, as defined in the prior sentence, times the number of instructional hours delivered which are determined as follows: 

(A) Determine the number of hours of instruction delivered via non-traditional delivery; and 

(B) Add the number of hours of class meetings. 

**Recommendation:** A final audit exception is taken to 2,842 hours reported for budget/FTE for Continuing Education classes which did not meet reporting criteria outlined in Title 1 of the State Board of Community Colleges Code. Staff should take the necessary steps to familiarize themselves with the aforementioned references to ensure the appropriate number of student membership hours are reported for budget/FTE. 

Staff should review all records reported for student membership hours for budget/FTE since Fall Semester 2012 and make any necessary adjustments of class hours reported as allowed per the three semester grace period. Staff should also contact the Associate Vice President, Executive Division/Customized Training Program at the North Carolina Community College System Office for additional training regarding administering the Customized Training Program. 

**Total Continuing Education Hours Cited:** 2,842 

The cooperation of the president and staff during the course of the audit was appreciated. 

**SUBMITTED BY:** Nina Taylor 
**AUDIT DATES:** February 14 – March 6, 2014
ATTACHMENT I

Halifax Community College
Summary of Class Visits Conducted FY 2013-2014

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<th>Location</th>
<th>Date of Visit</th>
<th>Students Enrolled</th>
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TOTAL CONTINUING EDUCATION HOURS EXCEPTED 2,842.00
ATTACHMENT B

Halifax Community College
FTE Reversion Summary
Audit Conducted: FY 2013-2014

CONTINUING EDUCATION: A total of 2,842.00 Continuing Education hours were cited that require a financial adjustment.

<table>
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<th>Tier</th>
<th>Hours</th>
<th>Divisor</th>
<th>Continuing Education FTE</th>
<th>Continuing Education Value</th>
<th>Continuing Education Reversion (Rounded)</th>
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**TOTAL FTE REVERSION** *

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<td>Continuing Education Reversion</td>
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<td>Literacy (Basic Skills) Reversion</td>
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*This audit exception has been posted to decrease the college's available budget by **$18,027.00**. This audit exception reversion must be posted to the college budget prior to submitting next month's files.