December 18, 2014

Ms. Mary Chesson, Interim President
Montgomery Community College
1011 Page Street
Troy, North Carolina 27371

Dear Ms. Chesson:

Enclosed is the final audit report of a finding from the education program audit conducted fiscal year 2014-2015 at Montgomery Community College pursuant to North Carolina General Statute 115D-5(m). The college response dated December 17, 2014, concurred with this finding. Therefore, a Continuing Education final audit exception with one finding was noted for the processes, procedures, classes, and programs reviewed.

For tracking purposes, please send an email to gardnerrm@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,

[Signature]

Jennifer Haygood
Executive Vice President/Chief Financial Officer

Enclosure

cc: Claudia B. Bulthuis, Chair, Montgomery CC Board of Trustees
Elizabeth Self, Executive Director, NCCCS Audit Services
Maureen Little, Associate Vice President, NCCCS
NCWorks Customized Training
Beth Wood, NC State Auditor
North Carolina Community College System

Final Audit Report for Montgomery Community College  
Audit Conducted: Fiscal Year 2014-2015  
Records Reviewed: Spring Semester 2013-Spring Semester 2014

AUDIT METHODOLOGY

An education program audit was conducted at Montgomery 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 2013 through Spring Semester 2014. 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 2014-2015 fiscal year are outlined in Numbered Memorandum CC14-030, Program Audit Procedures FY 2014-2015. The scope of the program audit review includes, but is not limited to, the major components noted in CC14-030. Based on the various audit reviews conducted as outlined in CC14-030, 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.

FINDINGS SUMMARY

Based on the site review, a Continuing Education final audit exception with one finding 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 finding was identified. The related classes included in the finding are listed in the Summary of Audit Findings for Education Program Audit, Attachment A.

Finding: For the sample of Continuing Education class records requested for review Spring, Summer, and Fall Semesters 2013, it was found that for fifteen Customized Training Program (CTP) classes reviewed the class hours were reported for regular budget/FTE rather than Occupational Extension Non-Budget FTE. Since the classes were offered and held as CTP courses, there was neither instructor pay (gratia instruction) nor evidence of payment of the applicable registration fee. This resulted in a negative 1,487 class hours reported for regular budget/FTE in error.

References

1G SBCCC 100.99 Budget FTE Funding, states:

(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
Montgomery Community College
FY 2014-2015 Audit Findings
Page 3

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 Reporting of Student Hours in Membership for Continuing Education Classes, states:

(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 Customized Training Program, states:

(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.

Recommendation: College 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 class attendance records with hours reported for budget/FTE since Fall Semester 2013 and make any necessary adjustments as allowed per the three semester grace period. Staff should also contact the Associate Vice President, NCWorks Customized Training, at the North Carolina Community College System Office for additional training regarding administering the Customized Training Program.

Continuing Education Hours Cited: 1,487

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

SUBMITTED BY: Terry McCauley
AUDIT DATES: October 1-10, 2014
CONTINUING EDUCATION: A total of 1,487.00 Continuing Education hours were cited that require a financial adjustment.

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<th>Continuing Education Reversion (Rounded)</th>
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TOTAL CONTINUING EDUCATION TIER 1A, 1B, 2 & 3: $9,556.00

TOTAL FTE REVERSION *

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<th>Curriculum Reversion</th>
<th>Continuing Education Reversion</th>
<th>Literacy (Basic Skills) Reversion</th>
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TOTAL REVERSION: $9,556.00

*This audit exception has been posted to decrease the college’s available budget by $9,556.00. This audit exception reversion must be posted to the college budget prior to submitting next month’s files.
### SUMMARY OF AUDIT FINDINGS FOR EDUCATION PROGRAM AUDIT

#### ATTACHMENT A - FINAL

#### COLLEGE:
Montgomery Community College

### CONTINUING EDUCATION HOURS EXCEPTED

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<th>Continuing Education Finding</th>
<th>Course #</th>
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<th>Original Hours Reported</th>
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**TOTAL CONTINUING EDUCATION HOURS EXCEPTED:** 1,487.00