



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

R. Scott Ralls, Ph.D.

President

August 27, 2014

IMPORTANT INFORMATION
SUPERSEDES CC13-018

NUMBERED 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 CC14-030
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

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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.

ES:mg

Att.

e-copy: Jennifer Haygood, Executive Vice President
and Chief Financial Officer
System Office Vice Presidents
System Office Auditors
Chief Academic Officers
Senior Continuing Education Officers
Registrars
Student Development Administrators

Auditor Assignments FY 2014-2015	
College▲	Auditor
Alamance Community College	Anne Miller
Asheville-Buncombe Technical Community College	Anne Miller
Beaufort County Community College	Terry McCauley
Bladen Community College	Nicole Wood
Blue Ridge Community College	Anne Miller
Brunswick Community College	Nina Taylor
Caldwell Community College and Technical Institute	Connie McKinney
Cape Fear Community College	Nina Taylor
Carteret Community College	Terry McCauley
Catawba Valley Community College	Connie McKinney
Central Carolina Community College	Nina Taylor
Central Piedmont Community College	Terry McCauley* Nina Taylor
Cleveland Community College	Anne Miller
Coastal Carolina Community College	Nina Taylor
College of The Albemarle	Nina Taylor
Craven Community College	Terry McCauley
Davidson County Community College	Terry McCauley
Durham Technical Community College	Anne Miller
Edgecombe Community College	Nicole Wood
Fayetteville Technical Community College	Nicole Wood
Forsyth Technical Community College	Anne Miller
Gaston College	Anne Miller
Guilford Technical Community College	Connie McKinney
Halifax Community College	Nina Taylor
Haywood Community College	Connie McKinney
Isothermal Community College	Anne Miller
James Sprunt Community College	Nicole Wood
Johnston Community College	Nicole Wood
Lenoir Community College	Terry McCauley
Martin Community College	Terry McCauley
Mayland Community College	Anne Miller
McDowell Technical Community College	Terry McCauley
Mitchell Community College	Connie McKinney
Montgomery Community College	Terry McCauley
Nash Community College	Nicole Wood
Pamlico Community College	Nina Taylor
Piedmont Community College	Connie McKinney

Auditor Assignments FY 2014-2015	
College▲	Auditor
Pitt Community College	Connie McKinney
Randolph Community College	Nicole Wood
Richmond Community College	Nicole Wood
Roanoke-Chowan Community College	Nina Taylor
Robeson Community College	Nicole Wood
Rockingham Community College	Anne Miller
Rowan-Cabarrus Community College	Connie McKinney
Sampson Community College	Nina Taylor
Sandhills Community College	Terry McCauley
South Piedmont Community College	Nina Taylor
Southeastern Community College	Terry McCauley
Southwestern Community College	Nicole Wood
Stanly Community College	Nicole Wood
Surry Community College	Connie McKinney
Tri-County Community College	Connie McKinney
Vance-Granville Community College	Anne Miller r
Wake Technical Community College	Anne Miller * Nicole Wood
Wayne Community College	Nina Taylor
Western Piedmont Community College	Connie McKinney
Wilkes Community College	Connie McKinney
Wilson Community College	Terry McCauley

* Team Audit - Team Leader

Note: Assignments are subject to change based on various factors within the Audit Services Division.