



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

*George Fouts*  
*Interim President*

November 24, 2015

**MEMORANDUM**

**TO:** Community College Presidents

**FROM:** Jennifer Haygood  
Executive Vice President and Chief Financial Officer

Bryan Jenkins  
Executive Director of Accountability and State Board Affairs

**RE:** Compliance Services Update and Review Procedures

As you may know, the 2015 Appropriations Act included the Program Audit Study Committee’s legislative recommendations: 1) it amended G.S. 115D-5(m) to codify key reforms and 2) restored recurring funding for an accountability function. This memo is intended to provide an update on this accountability function and share the review procedures we will use for the FY 2015-16 review cycle.

With the enactment of this legislation, we will begin to use a new vocabulary. The new accountability unit is called “Compliance Services”, and “compliance reviews” will be conducted periodically by “compliance examiners”. This change in vocabulary is intended to be more than cosmetic; it is indicative of our commitment to changing our approach to one that supports the System Office and colleges working in partnership to productively identify ways to improve compliance. We are continuing to work on updating our website and documents to reflect this change in vocabulary.

As directed by G.S. 115D-5(m) as amended, Compliance Services will focus on the accuracy of the data used to allocate State funds among colleges and ensuring that colleges are charging and waiving tuition and registration fees consistent with law. Consequently, we had previously removed items that were not directly related to the calculation of FTE or tuition/registration fee waivers. In FY 2015-16, we will be implementing the following changes:

CC15-036  
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Compliance Services Update  
November 24, 2015

- **Compliance Services Roles and Responsibilities:** The Program Audit Study Committee recommended that the new accountability function report to someone with professional training in audit design and execution (i.e. CPA, Certified Internal Auditor, etc.). Consistent with this recommendation, Compliance Services will report to Bryan Jenkins, Executive Director of Accountability and State Board Affairs. Mr. Jenkins is a CPA, has prior experience in the private sector conducting financial statement audits, and has served for the past six years as the System Office’s internal auditor. He will be focused on compliance review processes.

His expertise will be complemented by Elizabeth Self, who will serve as Director of Accountability and Compliance Training. As we evolve, Ms. Self will increasingly focus on providing colleges training opportunities, consulting with colleges on good documentation practices, identifying issues that need to be referred to programmatic staff for policy guidance/clarification, and serving as liaison between Compliance Services and program staff.

- **Frequency:** Previously our statutes required annual program audits of all 58 colleges. Starting this year, a compliance review will be conducted for each college every other year, unless there are material findings in the previous year or the college president requests an annual compliance review. The colleges we plan to visit in FY 2015-16 are listed on Attachment A. College size, previous material findings, scheduling of financial statement audits, and geography were factors considered when determining which colleges would be included in the FY 2015-16 and FY 2016-17 review cycles.
- **On-Site Review of Records:** Moving forward, compliance examiners will review records on-site until such time as an electronic means of record review is developed. The purpose of this is three-fold: 1) to ensure proper control of original records, 2) to eliminate the need to spend college staff time copying and boxing records, and 3) to promote more “real-time”, collaborative communication between compliance examiners and college staff. We appreciate colleges’ cooperation with identifying workspace for examiners while they complete their work.
- **Class Visits:** Compliance examiners would not conduct class visits unless specifically requested by the college president or as part of a compliance review following up on material findings.
- **Compliance Review Reports and Reversions:** Compliance review reports will only include material findings. The threshold of materiality is an issue that needs additional study with the assistance of external technical expertise. While we are studying this issue, we will only include findings in the compliance review report if the number of student hours found non-compliant exceeds 1% of the total number of hours pulled in the sample for that program area. Financial reversions associated with non-compliance caused by human error (vs. fraud) will be suspended during this period of study, unless

**Compliance Services Update**  
**November 24, 2015**

the number of student hours found non-compliant exceeds 5% of the sample for that program area.

- **Coaching Memos:** Compliance review reports will only include material findings. However, if compliance examiners find issues that are not material, but suggest the potential for increased risk of non-compliance, we will share that information through a coaching memo. This memo is for internal management purposes only.
- **Documentation Standards:** The reinvention of our System’s accountability function is based on the guiding principles of integrity, fairness, and consistency. To that end, we endeavor to provide colleges on an on-going basis clearer information about documentation expectations related to FTE reporting and the charging and waiving of tuition. For example, we have heard that colleges need clear, consistent guidance on what documentation is needed to establish eligibility for public safety waivers. A memo will be forthcoming that outlines the specific eligibility data elements compliance examiners look for when reviewing waiver documentation. The purpose of this guidance is to communicate consistent Compliance Services documentation expectations and assist staff in appropriately balancing compliance and customer service.
- **Compliance Services Oversight:** To ensure consistency and allay concerns about “review creep”, we will develop policies codified in the State Board of Community Colleges Code (SBCCC) to govern the compliance review process. Draft rules are currently being vetted, and we anticipate initiating the rule-making process during Spring 2016. These rules will include the formal establishment of the Compliance Review Advisory Committee, a group of college representatives responsible for receiving college feedback about the compliance review process and making recommendations on desired policy and procedural changes. The State Board’s Accountability and Audit Committee will also be receiving quarterly updates on how the accountability function is evolving.

Attachment B provides detailed procedures that we will follow during the FY 2015-16 review cycle. Compliance examiners 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 compliance review process. We appreciate everyone’s cooperation and patience as our accountability function continues to evolve. If you have any questions regarding the compliance review process, please feel free to contact your compliance examiner, Elizabeth Self, Director of Accountability and Compliance Training ([selfe@nccommunitycolleges.edu](mailto:selfe@nccommunitycolleges.edu) or 919-807-7224), or Bryan Jenkins ([jenkinsb@nccommunitycolleges.edu](mailto:jenkinsb@nccommunitycolleges.edu) or 919-807-7147). We look forward to working with you and your college as we strive to meet the educational, workforce, and economic development needs of our communities and the State of North Carolina.

e-copy:           Community College Chief Academic Officers  
                      Community College Continuing Education Officers

**Compliance Services Update**  
**November 24, 2015**

Community College Continuing Education Registrars  
Community College Registrars  
Community College Student Development Administrators  
Compliance Examiners

## Attachment A

### NORTH CAROLINA COMMUNITY COLLEGE SYSTEM FY 2015-2016 Compliance Review Assignments

Compliance Examiners conduct bi-annual compliance reviews. Listed below are Examiner assignments for FY 2015-2016. Due to changes resulting from the legislatively mandated Study of the Program Audit Function and S.L. 2015-241 (H97) ratified September 18, 2015, reviews are conducted bi-annually. If a compliance review shows material findings, the college will be reviewed again in the next fiscal year. If a college voluntarily requests an annual review, it will be conducted subject to the availability of resources.

Beaufort County Community College	Nina Taylor
Blue Ridge Community College	Connie McKinney
Brunswick Community College	Nicole Wood
Carteret Community College	Nina Taylor
Central Carolina Community College	Anne Miller
Central Piedmont Community College	Anne Miller
Central Piedmont Community College	Connie McKinney
Coastal Carolina Community College	Nicole Wood
College of The Albemarle	Nina Taylor
Craven Community College	Nicole Wood
Edgecombe Community College	Nicole Wood
Forsyth Technical Community College	Nicole Wood
Forsyth Technical Community College	Nina Taylor
Guilford Technical Community College	Anne Miller
Haywood Community College	Connie McKinney
Isothermal Community College	Connie McKinney
Lenoir Community College	Nina Taylor
Montgomery Community College	Anne Miller
Nash Community College	Nina Taylor
Randolph Community College	Connie McKinney
Roanoke-Chowan Community College	Nina Taylor
Robeson Community College	Nicole Wood
Rockingham Community College	Connie McKinney
Rowan-Cabarrus Community College	Anne Miller
Sampson Community College	Nicole Wood
Sandhills Community College	Nicole Wood
Southeastern Community College	Nina Taylor
Southwestern Community College	Connie McKinney
Stanly Community College	Connie McKinney
Surry Community College	Anne Miller
Tri-County Community College	Anne Miller
Wayne Community College	Nina Taylor
Western Piedmont Community College	Connie McKinney
Wilkes Community College	Anne Miller

## Attachment B

### NORTH CAROLINA COMMUNITY COLLEGE SYSTEM FY 2015-2016 Compliance Review Procedures

The information listed below outlines the major components of the bi-annual compliance reviews to be conducted during the 2015-2016 fiscal year. (These procedures supersede CC14-030, which included procedures for FY 2014-2015.)

#### Compliance 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 Compliance Review
- B. Documentation of the most current Continuing Education Accountability/Credibility Plan (Internal Compliance Plan) to include a copy of local board minutes showing local board approval.
  - i. Used to verify the college is following the plan and documenting results, especially in regard to conducting class visits.
  - ii. Used to review the college's student signature process/policy.

##### II. Curriculum

- A. A statistically valid Institution Class Report (ICR) Records Sample is identified to conduct a compliance review of 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 is 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.

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

- B. Curriculum Basic Skills Plus. Classes are reviewed to ensure tuition fee waivers have been appropriately applied for students enrolled or that payment has been made via an alternate method of payment. The classes are also reviewed to verify that the criteria for enrolling Basic Skills students is met, i.e., provide employability skills, etc. Documentation (BSP 2000 class rosters) is reviewed to ensure students enrolled in Curriculum Basic Skills Plus classes were also enrolled in the Basic Skills Component which includes courses in Adult High School and General Educational Development (GED); these class rosters will be required in addition to those requested on the Curriculum sample of classes sheets provided. This review is conducted to ensure class hours are reported in compliance with S.L. 2013-360 (S402), Appropriations Act of

## Attachment B

2013, Section 10.3(a)(b) (7/26/13) (referred to in 2014-15 legislation as 115D-31(b1) and 115D-5(b,15) respectively) and Basic Skills Plus Policies and Procedures as Adopted by the Basic Skills Advisory Board 11/26/12 and approved by the State Board of Community Colleges on 11/15/12.

- 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 and time worked 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 eligible for the applicable fee waiver if applied and are coded correctly for participation in the program. The review is conducted to ensure class hours are reported in compliance with 1D SBCCC 400.99, H-200/S.L. 2011-145, and Curriculum Procedures Reference Manual, Section 14, last approved by the State Board of Community Colleges on July 18, 2014.
- F. The following Computerized (XPA) Reports\* are reviewed:
  - i. Cooperative Education or XPAA
  - ii. Student Course Overlap for Curriculum and Continuing Education or XPAQ
  - iii. Underage Students – Curriculum or XPAU

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

This review is conducted to ensure class hours are reported in compliance with the references listed in "A" as well as 1D SBCCC 200.95 and H-200/S.L. 2011-145.

- G. Criminal Justice: Basic Law Enforcement Training (BLET) 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(b) and 1E SBCCC 800.2(c). Pre-delivery and post-delivery approvals should be available for review.
- H. Captive Co-opted\* Programs and Courses are reviewed to ensure 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 compliance review purposes, captive co-opted applies to state prisons only.

## Attachment B

- I. Instructional Service Agreements (ISAs) are utilized by colleges as a means of sharing class hours reported for budget/FTE. These agreements are reviewed to ensure the division of FTE has been made based on the terms of the agreement and each college involved reports the applicable portion of FTE. The review also ensures the college approved to offer the program of study awards the applicable credentials. This review is conducted to ensure class hours are reported in compliance with 1D SBCCC 400.96.

Note: Listed references are not all inclusive.

### III. Continuing Education and Literacy/Basic Skills Program

- A. A statistically valid Institution Class Report (ICR) Records Sample is identified to include the following:
  - i. A sample of classes pulled for review which includes all areas of Continuing Education.
  - ii. Class records reviewed to ensure 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 reviewed to verify pay is consistent with class hours reported for budget/FTE. Class instructor contract modifications need to be documented, appropriately authorized, and provided for review.
  - iv. Class documentation reviewed to ensure applicable registration fees have been collected or fee waivers have been granted appropriately.

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

- B. Continuing Education Basic Skills Plus. Classes are reviewed to ensure tuition fee waivers have been appropriately applied for students enrolled or payment has been made via an alternate method of payment. The classes are also reviewed to verify the criteria for enrolling Basic Skills students is met. Documentation (BSP 2000 class rosters) is reviewed to ensure students enrolled in Continuing Education Basic Skills Plus classes were also enrolled in the Basic Skills Component which includes courses in Adult High School and General Educational Development (GED). The BSP class rosters will be required in addition to those requested on the Curriculum sample sheets provided. This review is conducted to ensure class hours are reported in compliance with S.L. 2013-360 (S402), Appropriations Act of 2013, Section 10.3(a)(b) (7/26/13) (referred to in 2014-15 legislation as 115D-31(b1) and 115D-5(b,15) respectively), Basic Skills Plus Policies and Procedures as Adopted by the Basic Skills Advisory Board on November 26, 2012, and approved by the State Board of Community Colleges on November 15, 2012.
- C. The following Computerized (XPA) Reports\* are reviewed:
  - i. Student Course Overlap for Curriculum and Continuing Education or XPAQ
  - ii. Underage Students – Continuing Education or XPAO

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

## Attachment B

The review of Computerized (XPA) Reports is conducted to ensure class hours are reported in compliance with the references listed in "A" as well as 1D SBCCC 200.95 and 1E SBCCC 300.99.

- 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(b)*, and 1E SBCCC 300.99(a)(7)(C) or 1E SBCCC 800.2(c). Pre-delivery and post-delivery approvals should be readily available for review.

**Note:** 1E SBCCC 800.2(c) was approved for classes beginning on or after May 16, 2014, and 1E SBCCC 300.99 was no longer in effect as of that date.

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

- F. Instructional Service Agreements (ISA) Instructional Service Agreements (ISA) are utilized by colleges as a means of sharing class hours reported for budget/FTE. The reviews of Instructional Service Agreements are conducted to ensure the division of FTE has been made based on the terms of the agreement and verify each college reports the applicable portion of FTE. This review is conducted based on 1A SBCCC 300.99, 1D SBCCC 300.97 (replaced previous reference November 11, 2014 ~~11/01/14~~), and CC14-034.

Note: Listed references are not all inclusive.

### IV. **Class Visitation**

Class visits may be conducted at the request of the college, as instructed by the Director, or based on findings in a prior review.

### V. **Post-Compliance Review**

- A. Findings noted in the compliance review report will be finalized after the compliance review documentation and report have been reviewed by the Executive Director of Accountability and State Board Affairs along with the Executive Vice President and Chief Financial Officer. A copy of the compliance report will then be mailed to the College President. **Compliance review findings will only include direct violations of the General Statutes or the State Board of Community Colleges Code (SBCCC). Issues identified by compliance examiners that pose potential risk, but for which the SBCCC is ambiguous or rules have not yet been adopted, will be documented in a Coaching 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 recommend clarifying SBCCC language.**

## Attachment B

- B. If there are findings, the college has 30 days from receipt of the preliminary compliance review 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 Executive Director of Accountability and State Board Affairs, the college president may also request a conference with the Executive Director of Accountability and State Board Affairs and/or the 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 compliance 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 compliance 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 compliance 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 compliance review.

When all information has been reviewed and a conclusion reached, an updated final compliance review report will be developed and forwarded to the College President. Upon receipt of the final compliance review 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 updated report. The Accountability and Audit Committee of the State Board will review the appeal and make its recommendation to the full membership of the State Board.