

STATE BOARD OF COMMUNITY COLLEGES
Compliance Services Update

Compliance Services staff conduct periodic reviews of each community college operating under G.S 115D-5.

Background: Effective July 1, 2015, G.S. 115D-5(m) was updated to read as follows:

COMMUNITY COLLEGES PROGRAM COMPLIANCE REVIEW FUNCTION

SECTION 10.6.(a) Section 10.15(a) of S.L. 2013-360 is repealed.

SECTION 10.6.(b) G.S.115D-5(m) reads as rewritten:

"(m) The State Board of Community Colleges shall maintain an education program auditing accountability function that conducts an annual audit periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the annual audit compliance review shall be to ensure that college programs and related fiscal operations comply with State law, State regulations, State Board policies, and System Office guidance. (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require auditors of community college programs to the use of a statistically valid sample size in performing program audits compliance reviews of community colleges. All education program audit compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews."

SECTION 10.6.(c) Subsection (b) of this section applies to compliance reviews beginning with the 2015-2016 academic year.

FY 2015-20016 Compliance Reviews

Based on the afore noted changes to G.S. 115D(m), compliance reviews are currently scheduled to be conducted bi-annually. Compliance reviews for FY 2015-2016 began mid-October 2015, and colleges were selected for review based on the following factors:

- A financial audit was likely to be conducted for FY 2015-2016. If so, the community college was scheduled for a FY 2016-2017 compliance review, if at all possible.
- A reversion of funds occurred as a result of the prior period of review. The community college was scheduled for a current compliance review in the event of a reversion.

- Consideration of the size of the college. The goal of the Compliance Services team is to schedule reviews such that reviews of all large colleges are not conducted in the same FY year.

Status of FY 2015-2016 Compliance Reviews:

Based on the factors noted above, 32 colleges were initially slated for a compliance review for FY 2015-2016. The status of those reviews is noted below:

- Seven (7) reviews have been completed with reports and coaching letters electronically mailed.
 - One (1) had a material finding as currently defined by a 5% threshold;
 - Three (3) had coaching letters with a clean report; and
 - Three (3) had a clean report.
- Seven (7) reviews have been completed by the compliance examiners and are pending review at the System Office.
- Three (3) reviews are currently in progress.

State Board Code

Work continues related to the updating of the State Board Code. The Program Audit Task Force convened its final meeting on February 10, 2016 and provided feedback on the proposed rules for the FTE Accountability function. The proposed rules are contained in the accompanying pages.

Contact:

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State Board of Community Colleges Code
Title 1 – COMMUNITY COLLEGES

CHAPTER G. FULL-TIME EQUIVALENT (FTE)

SUBCHAPTER 400. FTE REPORTING ACCOUNTABILITY

1G SBCCC 400.1 GENERAL PROVISIONS

The State Board shall maintain an accountability function to ensure the credibility of the number of budget FTE students reported to the General Assembly for funding purposes and the fair allocation of State resources among the colleges. This function shall include periodic reviews of college compliance with the provisions of this 1G SBCCC, 1E SBCCC, and any rules referenced therein. This function shall also include opportunities for colleges to receive coaching from the System Office on areas of potential risk of non-compliance, sound documentation practices, and the use of mitigating controls.

1G SBCCC 400.2 COMPLIANCE REVIEWS

- (a) Definition. A “compliance review” is a periodic, objective assessment of college compliance with State laws and State Board rules governing the reporting of data used as the basis of college budget allocations as well as the charging and waiving of tuition and registration fees, as defined in 1E SBCCC 100.1.
- (b) Frequency. The System Office shall conduct a compliance review of each college once every two fiscal years unless the college’s prior year review has material findings. If a compliance review has material findings, the System Office shall conduct a compliance review during the subsequent fiscal year. If a college is not scheduled for a compliance review in a particular year, the college president may request the System Office conduct one, subject to the availability of resources.
- (c) Period of Review. Compliance reviews shall review a sample of records for college-funded basic skills, continuing education, and curriculum course sections for which FTE was reported for the Summer, Fall, and Spring terms completed immediately preceding the end (June 30) of the most recently completed fiscal year.

Attachment A

- (d) Compliance Review Components. A compliance review shall include the following components:
- (1) Review of Course Section Sample. System Office Compliance Services staff shall review a statistically valid sample of course section records to ensure a college has reported FTE that are included in BFTE calculations consistent with the provisions of this Chapter. For each course section in the review sample, System Office Compliance Services staff shall determine whether the following conditions were satisfied:
- (a) The college did not report FTE for activities disallowed in 1G SBCCC 200.95.
 - (b) The State Board has approved the college to provide the course.
 - (c) It is appropriate for the FTE associated with the course section to be included in BFTE calculations per 1G SBCCC 100.99.
 - (d) Any minors enrolled in a basic skills, continuing education, or curriculum course section met the requirements of the 1D SBCCC 200.95, 1D SBCCC 300.4.(c), or 1D SBCCC 400.99, respectively.
 - (e) The number of FTE reported by the college for the course section complies with the rules of 1G SBCCC 200.
 - (f) The course section took place in the college's service area or the appropriate instructional services agreement was executed. If instruction was delivered under an instructional service agreement, the FTE were pro-rated (if applicable) consistent with the terms of the agreement.
 - (g) The instruction was provided either through a college-employed instructor or through a third-party contract that complies with contracted instruction rules in 1D SBCCC.
 - (h) The college charged or waived the applicable tuition or registration fees consistent with the rules in 1E SBCCC.
- (2) Review of Internal Class Visits. Each college shall include a local plan to visit a sample of continuing education course sections as part of the Continuing Education Internal Program Accountability Plan required under 1D SBCCC 300.4.(a). System Office compliance examiners shall review documentation to ensure the college is following its internal class visit plan, but no other components of this plan shall be reviewed by the compliance examiner.

Attachment A

- (e) High Risk Areas. The statistically valid sample shall account for high risk course sections. “High Risk” is defined as 1) course sections in which the majority of students receive a tuition or registration fee waiver as provided under 1E SBCCC 800, 2) course sections provided completely asynchronously online, and/or 3) course sections held in facilities that are not owned or under long-term lease by the college.
- (f) Materiality. (Reserved for future codification)
- (g) Compliance Review Findings. As provided by G.S. 115D-5(m), Compliance Services shall provide a written report of any material compliance review findings to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. If a college disagrees with any of the findings in the report, the college may submit a written appeal to the State Board of Community Colleges (SBCC). The college must submit the written appeal within 30 days of receipt of the compliance review report. The Accountability and Audit Committee of the State Board shall review the appeal and make its recommendation to the full membership of the State Board.
- (h) Compliance Review Advisory Committee.
 - (1) The Committee shall be composed of the following members, each of whom shall serve for a three year term:
 - (a) Three college presidents appointed by the President of the NC Association of Community College Presidents.
 - (b) Two instructional administrators appointed by the President of the NC Association of Community College Instructional Administrators.
 - (c) One continuing education administrator and one basic skills director appointed by the President of the NC Community College Adult Educators Association.
 - (d) One continuing education administrator appointed by the Continuing Education Leadership Committee established under 1D SBCCC 300.5.(b).(2)
 - (e) One curriculum registrar/records manager appointed by the President of the Student Development Administrators Association.
 - (f) One continuing education registrar/records manager appointed by the Continuing Education Leadership Committee established under 1D SBCCC 300.5.(b).(2).

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- (g) The designee of the System President, who will be responsible for convening the Advisory Committee at least biannually.
 - (h) The designee of the State Auditor, who will serve as a non-voting member.
- (2) The Compliance Review Advisory Committee is responsible for receiving college feedback about the compliance review process and making recommendations to the State Board on desired policy and to System Office on desired procedural changes. The Committee shall report to the Accountability and Audit Committee of the State Board at least annually on any recommendations.

1G SBCCC 400.3 SPECIAL REVIEWS

Upon request of the college or System president, System Office compliance examiners may conduct a special review to investigate any concern identified by the college or System president, as applicable, related to the reporting of data used as the basis of college budget allocations or the charging and waiving of tuition and registration fees. A special review may include class visits and a review of records beyond the documents requested through a compliance review conducted under 1G SBCCC 400.2.