

STATE BOARD OF COMMUNITY COLLEGES

Vision for a New System of Accountability

**Proposed Statute:**

G.S. 115D-5(m):

“The State Board of Community Colleges shall maintain ~~an education program auditing a~~ compliance 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~~ data used to allocate State funds among colleges is reported accurately to the System Office and that colleges are charging and waiving tuition and 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 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 shall adopt rules governing the frequency and scope of compliance reviews.”

**Mission:**

The mission of the Compliance Services Section is to promote the integrity of the System’s budget allocation process by:

- Providing an 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 charging and waiving tuition and fees.
- Coaching colleges on areas of potential risk through sharing information on trends in compliance review findings, good documentation practices, and use of mitigating controls.

**Scope:**

The scope of the compliance review is bound by the statutory purpose of ensuring that the data used to allocate State funds among colleges is reported accurately to the System Office and that colleges are charging and waiving tuition and fees consistent with law. Initially, it would include an evaluation to determine whether the following bullets can be affirmed. Over time, the State Board would continually review the scope and determine whether, consistent with the statute, it needs to be revised to adjust for changes in policy or other relevant circumstances.

- The instructional hours/units are authorized to be reported for budget purposes.
  - The college has not reported instructional hours/units for Customized Training or Small Business Center activities (excluding allowable entrepreneurship courses).
  - The instruction is authorized under the “Education Programs” chapter of the SBCCC and is an approved course in the Combined Course Library.
  - The instruction does not qualify as an activity listed under the “Limitations in Reporting Student Membership Hours” rule (SBCCC 200.95).
  - If the college is being reimbursed by a company or entity to provide instruction, the college has adjusted the number of instructional hours/units reported appropriately.
  
- The college is authorized to deliver the instruction they are reporting for budget purposes.
  - The instruction is part of an approved program of study.
  - If the instruction is taking place outside the college’s service area, the appropriate Instructional Services Agreement is in place, and hours are reported consistent with the ISA.
  - If instruction is being provided to a captive/co-opted group, the college has the authority to serve this population.
  
- The college is providing the instruction either through a college-employed instructor or through a third-party contract that complies with contracted instruction rules.
  
- Students meet eligibility rules to receive the educational services reported for budget purposes.
  - Instruction provided to high school students and other minors comply with the “Education Services for Minors” rules.
  - Basic Skills Plus students meet program eligibility requirements.
  
- The college is reporting instructional hours/units consistent with FTE rules.
  - The college can document that each student for which instructional units are reported is a bona fide enrollee of the course as defined by the SBCCC.
  - The number of instructional units reported per enrolled student is consistent with the SBCCC.
  
- The college is charging tuition and registration fees consistent with law.
  - The college is only waiving tuition and registration fees for students who are members of an authorized group or organization.
  - The college is charging tuition and registration fees consistent with the rates established by the State Board of Community Colleges.

The sample of course records used in the compliance review shall take into account risk. The State Board shall identify high-risk areas. Initially, high risk areas would include (in priority order):

1. Waived courses
2. Online courses

3. Courses held at non-college facilities

In addition to reviewing a sample of course records, reports should be developed to identify instances of potential risk. For example, a report should be developed to identify any students who appear to be registered for an unusually high number of courses/credit hours.

**Class Visits**

- Compliance services staff would no longer conduct class visits except in two circumstances:
  1. Upon the request of the college president regarding an FTE-related issue; or
  2. As part of a compliance review following up on material findings identified in a previous compliance review.
- Colleges would continue to be required to conduct class visits of continuing education classes. The State Board will adopt rules to establish consistent minimum standards for conducting “internal” class visits, taking into account high-risk areas.
- As part of the compliance review, compliance services staff would review class visit documentation to ensure colleges were complying with these internal class visit rules.
- In the course of the compliance review, if compliance services staff happens upon an issue that is programmatic in nature, the issue will be referred to the appropriate programmatic staff to investigate.

**Frequency/Scheduling of Reviews**

- Compliance reviews shall be required every other year, unless a review has material findings or the college voluntarily requests an annual review.
- To improve timeliness, compliance reviews would cover the Summer, Fall, and Spring academic terms of the prior year for all instructional program areas (curriculum, continuing education, and basic skills). However, if a compliance review has material findings, the remedy (i.e. reversion of funds vs. adjustment of hours) may be different based on the timing of the review and program area.

**Roles and Responsibilities**

**State Level**

- **State Board:** Adopt and maintain rules that are clear and up-to-date. In addition, through the Accountability and Audit Committee, the State Board would:
  - Adopt rules governing the frequency, scope of compliance reviews, and Compliance Review Advisory Committee membership and appointments.
  - Review findings and make recommendations for policy and process changes if needed.
  - Review changes to compliance review procedures and documentation requirements.
  - Hear college appeals if financial reversions are assessed.

- **Programmatic System Office Staff:**
  - Respond to questions regarding programmatic policy issues.
  - Issue numbered memos providing guidance to colleges. If that guidance is a policy interpretation, the numbered memo would be interim guidance until such time the State Board clarified the rule.
  - Work collaboratively with colleges to develop recommendations to the State Board on needed rule changes.
  - Ensure procedures and guidance documents are up-to-date and readily accessible to colleges.
  - Meet periodically with Compliance Services staff to discuss findings; when appropriate, provide communication/training to colleges on relevant policies.
  
- **Compliance Services Staff:**
  - Conduct periodic compliance reviews of colleges.
  - Develop and maintain a comprehensive compliance review procedures manual, which includes minimum standards as well as best practices for compliance documentation.
  - Participate in periodic meetings with program staff and IT staff to discuss findings and how policies, processes, communications, and training activities should be adjusted accordingly.
  - Respond to documentation questions and provide training/coaching on compliance documentation.
  - Participate in professional development activities, including periodic (at least quarterly) team meetings/conference calls focused on ensuring consistency of reviews.
  
- **Compliance Review Advisory Committee:** Utilizing the expertise and experience of college and System Office representatives, this Committee would:
  - Receive and review college feedback about the compliance review process.
  - Make referrals/recommendations to the State Board on desired policy changes and to the System Office on desired procedural changes.

## Local Level

- **Local Boards of Trustees:**
  - Hold college staff accountable for accurately reporting to the System Office data used to allocate State funds among colleges and for charging and waiving tuition and fees consistent with law.
  - Ensure any material review findings are shared with the board members and the issues addressed.
  
- **College Staff**

- Be knowledgeable of statutes, rules, and processes relevant to the reporting of data used as the basis of college budget allocations as well as charging and waiving tuition and fees.
- Implement local processes that promote compliance with statutes and rules.
- Respond to any findings included in the compliance review report and, if applicable, consider issues identified in the management letter to determine whether any changes are needed to reduce risk of future non-compliance.
- Participate in professional development opportunities to increase knowledge of statutes and rules as well as good documentation and internal control practices.

## **Action Items**

### **Policy Issues**

- Determine who within the System Office has programmatic authority and responsibility for each chapter and subchapter within Title I of the State Board Code.
- Revise the State Board of Community Colleges Code, particularly Chapter D. Education Programs and Chapter G. Full-Time Equivalent (FTE)
  - Chapter D. Education Programs: Clarification is particularly needed for those policies associated with student eligibility requirements.
    - Career and College Promise
    - Continuing Education Services to Minors
    - Basic Skills Plus
    - ISAs
  - Chapter G. Full-Time Equivalent (FTE): The chapter should be revised to simplify student accounting and diminish the emphasis on instructional minutes/hours and recommend calculating FTE based on a standard number of instructional units for a defined amount of instructional content, where possible. In addition, clarify issues related to the following:
    - Course overlap and repeats
    - Skills lab
    - Work-based learning
- Adopt rules (SBCCC) governing the frequency, scope of compliance reviews, and Compliance Review Advisory Committee membership and appointments.
- Adopt rules (SBCCC) governing class visits of continuing education classes conducted by college management.

### **Organizational/Process Issues**

- Change name of section from “Audit Services” to “Compliance Services.”
- Ensure college employees can access all procedure and reference manuals through the System Office website or other readily accessible technology.
- Formalize mechanism for receiving college questions, identifying appropriate authority to answer the question, and communicating responses to all colleges.
- Establish plan to keep the same auditor for 3 audit cycles, if possible, and then rotate.

- Develop an audit procedures manual with clearer guidance on documentation expectations.
- Identify how technology can be used to document compliance and flag high-risk areas.
- Determine appropriate method for pulling a risk-based sample.
- Determine relational standard for materiality that accounts for the size of the institution.
- Standardize compliance reviews to include three components: 1) entrance conference, 2) meetings to discuss preliminary findings, and 3) exit conference. Upon request, compliance services staff will also conduct a coaching session separate from the exit conference.
- Consider the feasibility of having staff review records on site at the college.
- Consider establishing different remedies for non-compliance with laws related to reporting hours vs. non-compliance with charging/waiving tuition.
- Develop a process that colleges should follow if they self-identify issues.
- Adopt a culture that values compliance reviews as a tool to promote fairness and integrity of allocation process.
- Revisit the job descriptions and qualifications of compliance services staff.