

NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
College Financial Audit Findings Summary
Fiscal Year 2012-2013

Findings	Recommendation	Response	
Catawba Valley Community College	The auditor identified corrections to the general ledger that materially impacted the financial statements.	The College should reduce the variance threshold that is used during the analytical review process and perform a more detailed review of the financial statements including a thorough review of the financial statements in comparison to the reporting checklist and prior year closing entries. In the future, infrequent or unusual transactions should be reviewed for the appropriate accounting treatment or changes that may have occurred in accounting treatment since the previous occurrence of the transaction. The College should develop a detailed year-end financial reporting checklist for its internal use. This checklist should, at a minimum, encompass matters covered by the most recent checklist issued by the System's office, but should further consider any changes that should be made to update that checklist to allow for an accurate and complete year-end close.	The College concurs with the recommendation and has implemented additional procedures to ensure the completeness and accuracy of the financial statements. The Chief Business Administrator will conduct an extensive review that will incorporate additional steps to capture the deficiencies noted.
Durham Technical Community College	The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. These misstatements indicate that the College's internal control over financial reporting was not effective, and without these corrections, the financial statements could have been misleading to users.	The College should place greater emphasis on the year-end financial reporting process and strengthen internal controls to ensure the financial statements and related notes to the financial statements are complete and accurate.	The College acknowledges that it is responsible for the fair presentation of the financial statements and related notes to the financial statements, and will endeavor to continue improvements in financial reporting.
Edgecombe Community College	Needed corrections to the general ledger that materially impacted the financial statements were identified. Management's estimate for the allowance for doubtful student accounts receivable was not considered adequate based on analysis of prior collections. Based on further analysis, the allowance was increased by approximately \$175,000.	The College should evaluate the collectability of student accounts receivable at the end of each year based on historical collection rates, current economic conditions, and other knowledge of outstanding accounts.	The College agrees with the finding and recommendation. In the future, management will take further steps to evaluate the collectability of student accounts receivable based on historical collection trends, current economic conditions, and other knowledge of outstanding accounts in determining the estimate for the allowance of doubtful accounts receivable.
	Various corrections to the financial statements and to the general ledger with regards to the cut-off of accounts payable and to the accrual for compensated absences were identified.	The College implement a more comprehensive review of the financial statements after completion in order to ensure the College's financial statements are free from errors and that any new accounting statements are implemented. We also recommend that the College review current accounting policies and procedures to ensure proper cutoff of expenses and accruals.	The College agrees with the finding and recommendation. In the future, management will implement a more comprehensive review of the financial statements to ensure the College's financial statements are free from errors and that any new accounting statements are implemented. We will also implement a process whereby the calculation of accrued compensated absences and cut-off of payables are prepared by the Controller and reviewed and approved by the Vice President of Administrative Services to ensure they are properly stated.

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Attachment AUD 4

	Findings	Recommendation	Response
Piedmont Community College	The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. These misstatements indicate that the College's internal control over financial reporting was not effective, and without these corrections, the financial statements could have been misleading to users.	The College should place greater emphasis on the year-end financial reporting process and reviews over that process. The College should strengthen internal controls to ensure the completeness and accuracy of the financial statements and notes.	The College has begun work to strengthen its internal controls over year-end financial reporting processes and reviews by working with the North Carolina Community College System subject matter experts as well as other North Carolina Community College experts. Training has occurred and will continue with increased focus ensuring the financial statements and notes are complete and accurate in accordance with generally accepted accounting principles.
South Piedmont Community College	The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. These misstatements indicate that the College's internal control over financial reporting was not effective, and without these corrections, the financial statements could have been misleading to users.	The College should place greater emphasis on the year-end financial reporting process and reviews over that process. The College should strengthen internal controls to ensure the completeness and accuracy of the financial statements and notes.	The College will place greater emphasis on the year-end financial reporting process.