

NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
College Financial Audit Findings Summary
Fiscal Year 2015

Attachment AUD 5

Findings	Recommendation	Response	
Asheville-Buncombe Technical Community College	Noncompliance with Title IV regulations as cited in the US Department of Education's report. The College accrued an estimated liability in the amount of \$738,314 for federal funds it expects to be returned to the Department. Subsequent to June 30, 2015, the College received a final determination from the Department requiring the College to repay \$670,738 and the accrued liability was adjusted accordingly.	The College should address the issues noted in the US Department of Education's report and implement the necessary corrective action.	The US Department of Education approved the College's Corrective Action Plan and issued a final determination subsequent to June 30, 2015 requiring the College to repay \$670,738 which was repaid in September 2015. In addition, through the annual internal control program required by the Office of State Controller (e.g. EAGLE) the College will review independently the effectiveness of the corrective action plan in FY 15-16 and determine if revisions or other actions are necessary to insure ongoing compliance.
Cleveland Community College	Significant Deficiency in Controls over Accounts Payable Reconciliation	The College review current accounting policies and controls to ensure the proper recording and cutoff of accounts payable at year end.	The College has begun work to strengthen its internal controls over year-end financial reporting processes and reviews. The College is implementing control procedures including verification of completeness and cross checking for duplicates in the accounts payable general ledger account along with proper review of the process. Training has occurred and will continue with increased focus ensuring the financial statements and notes are complete and accurate.
James Sprunt Community College	Financial statements and notes prepared by the College and submitted for audit contained significant misstatements that were identified and corrected as a result of the audit. The College did not ensure that controls over financial reporting were designed and implemented to prevent significant misstatements from occurring. Without the error corrections users of the financial statements could be misinformed about the College's financial condition, including sufficiency and flexibility of resources, asset performance and operating results.	The College should ensure that appropriate and adequate resources are provided to ensure: <ul style="list-style-type: none"> • A year-end plan is designed and implemented that would allow for a knowledgeable individual, or group of individuals, to perform a complete and thorough review of the financial statements and related information to ensure accurate and complete year-end reporting, • Accounting staff obtain additional training on financial reporting matters as deemed necessary, and • Accounting staff have proper supervision that correlates with their level of experience and understanding of financial reporting. 	The College will place greater emphasis on the year-end financial reporting process. Year-end procedures will be implemented to ensure the accuracy of financial statements and related information. The College will also ensure that a detailed review of financial statements and supporting documentation be performed by a knowledgeable individual or group of individuals, other than the preparer. The College has contacted a consultant who has agreed to assist the Controller in additional training on financial reporting and the year-end process. The Controller will also attend any additional trainings (workshops, classes, webinars, etc.) related to the financial reporting process.

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<p>Martin Community College</p> <p>The financial statements and related notes prepared by the College and submitted for audit contained significant misstatements that were identified and corrected as a result of the audit. Without the error corrections, users of the financial statements could be misinformed about the College’s financial condition, including sufficiency and flexibility of resources, asset performance and operating results.</p>	<p>The College should ensure that appropriate and adequate resources are provided to ensure:</p> <ul style="list-style-type: none"> • Staffing levels are adequate to perform year-end financial reporting, and • A year-end plan is designed and implemented that would allow for a knowledgeable individual, or group of individuals, to perform a complete and thorough review of the financial statements and related information to ensure accurate and complete year-end reporting. 	<p>During the 2014-15 Academic Year, the Finance area experienced unprecedented turnover. Two (2) staff members left during the last quarter of 2014, one at the end of October and one at the end of December. The College hired three (3) new staff members to replace those two, one in November 2014, one in January 2015, and one in March 2015. In a small rural college, recruiting and hiring experienced staff members in a short period is a challenge. In addition to the turnover, a couple of the staff members had serious medical issues that needed attention. Absenteeism and related factors affected the workflow, impeded training of new staff, and increased frustrations. One of the former employees did work part-time for a couple of months to assist with financials during this time. We believe turnover and absenteeism will not be a factor in the coming year. The College recognizes that current staff need more training and is in the process of identifying an individual or individuals with experience in the NCCCS financial database and the necessary accounting expertise to assist staff with reconciling bank statements, reviewing financial statements and records, assessing training needs, and training staff members as needed.</p> <p>The Dean of Administrative Services/CFO and the Business Services Director will develop and implement a year-end plan. If needed, a consultant may assist in developing the plan and providing guidance and direction. The Dean/CFO will submit the plan to the President for approval.</p>

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Martin Community College (continued)	<p>The College did not ensure that controls over cash management were being implemented as designed, during significant staff turnover in the business office, to prevent the inaccurate reporting of cash. As a result, the College's cash balance was overstated.</p>	<p>The College should ensure that appropriate and adequate controls over cash management are in place to decrease the risks of fraud, mismanagement of funds and misstatements in the financial statements. The College's controls should include:</p> <ul style="list-style-type: none"> • A review of daily bank deposits. • A prepared monthly bank reconciliation that is reviewed and approved by management. • Adequate staffing levels to perform day-to-day cash management operations. 	<p>The Dean/CFO, will address the factors cited in the audit and will develop a plan or strategy to ensure that the College has adequate and appropriate controls over cash management and to ensure that bank deposits are reviewed daily and bank statements are reconciled monthly. The Dean/CFO will review the daily bank deposits and the monthly bank reconciliations and forward them to the President by the 20th of the month.</p> <p>The College is in the process of hiring a consultant to assist in reconciling bank statements and training the Business Services staff and/or other appropriate staff members. We anticipate having all bank statements reconciled by July 31, 2016.</p>
Mitchell Community College	<p>System access rights that are inconsistent with proper segregation of duties were assigned to employees. Four members of management were assigned access rights that allowed them to create and approve their own journal entry transactions. As a result, there is an increased risk of error or fraud occurring without detection.</p>	<p>Prior to the implementation of, or changes to, computer systems and/or software programs used in processing financial transactions such as journal entries, steps should be taken to ensure employees are assigned the minimum access needed to perform his or her job and assigned duties are appropriately segregated.</p>	<p>As a result of the testing during the audit, Mitchell Community College Financial Services and Institutional Technologies were able to correct the mechanical component of the system that created the improper system access and segregation of duties the same day the deficiencies were discovered. The College, specifically Institutional Technology, will audit the access rights and follow our current procedures controlling access in technology.</p>
Piedmont Community College	<p>Significant Deficiency in Controls over Accounts Payable Reconciliation</p>	<p>The College review current accounting policies and controls to ensure the proper recording and cutoff of accounts payable at year end.</p>	<p>Piedmont Community College will work with the North Carolina Community College System experts focusing on ensuring the accuracy of its year-end financial reporting processes. Specific training is scheduled for April 26-27, 2016 to ensure proper recording and reconciliation of accrual accounts at year end.</p>

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South Piedmont Community College	The financial statements and related notes prepared by the College and submitted for audit contained significant misstatements that were identified and corrected as a result of the audit. Without the error corrections, users of the financial statements could be misinformed about the College's financial condition, including sufficiency and flexibility of resources, asset performance and operating results.	The College should ensure that appropriate and adequate resources are provided to ensure: <ul style="list-style-type: none"> • The impact of implementation of financial reporting standards are adequately considered, • Employees are provided with a sufficient understanding of the new or modified standards and their impact on the financial reporting process, and • A knowledgeable individual, or group of individuals, performs a complete and thorough review of the financial statements and related information to ensure timely, accurate, and complete year-end reporting. 	We are in agreement with the finding. We received a lot of advice from the state auditors on how to establish a system to backup and review the various areas that we reconcile and review. We plan to review and study all GASB standards so that we fully understand the scope of their requirements and reporting. We will take advantage of webinars and classes provided by NCCCS that will help increase our knowledge and understanding of financial statement reporting. The Associate Vice President of Finance will develop a program and schedule whereby financial statements have a complete and thorough review prior to the completion of the statements. Major improvements will be made to thoroughly review capital assets.