

STATE BOARD OF COMMUNITY COLLEGES

**Request to Amend Education Program Audit Review
for Audits Conducted FY 2014-2015**

Request: The State Board is asked to approve (effective for audits conducted in FY 2014-2015 forward) the removal of: 1) auditor verification that audit(s) conducted by the Office of the State Auditor or a CPA contracted by the college are discussed with the college's local board of trustees; 2) the Intercollegiate Athletics Review which includes verification of the college's membership in the National Junior College Athletic Association and whether student athletes receive athletic scholarships in accordance with the college's approved policy; and 3) the Curriculum Pre-Requisites Review of class records to ensure that students enrolled in the classes met the State curriculum pre-requisites prior to enrollment in the classes.

Background: In October 2005, then State Auditor, Les Merritt, sent to the Chair of the State Board of Community Colleges a written communication outlining key areas related to oversight and guidance that could strengthen and enhance the operations and fiscal integrity of the North Carolina Community College System colleges. In December 2005, another written communication was received further outlining the State Auditor's recommendations for improving System operations, including "local trustee accountability, meaningful training, and proactive audit oversight..." A Task Force formed to review the State Auditor's recommendations developed a list that became known as local boards of trustees "Must Know Items" (SBCC ATT POL 9, Approved 01/16/2009). The review of reports of audits conducted by the State Auditor was one of those items. After an investigative audit in 2006 revealed that state funds were being used inappropriately in the promotion of and college's participation in intercollegiate athletics by a college, it was decided that Audit Services staff would conduct an audit review of this area. The program audit procedures have included a review of curriculum pre-requisites for many years. Until FY 2013-14, the audit process reviewed whether students had fulfilled both State and local prerequisites. In FY 2013-14, the review was revised to only review State pre-requisites since the statutory duty of Audit Services is to review compliance with State laws and regulations.

Rationale:

S.L. 2013-360 Section 10.15(c) established the Program Audit Study Committee to "determine how program audit procedures may be streamlined to minimize the administrative burden on the institutions being audited..." During its deliberations, the Committee has agreed that the audit scope has evolved into one larger than originally intended, which was to ensure the data reported by the colleges for budget FTE funding was accurate. The State Board is requested to remove three reviews included the current audit process that the Committee has determined do not directly relate to the equitable distribution of FTE funding.

Contact:

Jennifer Haygood
Executive Vice President & Chief Financial Officer