



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
Dr. R. Scott Ralls, President

August 4, 2008

IMPORTANT INFORMATION
SUPERCEDES CC07-196

MEMORANDUM

TO: Presidents
Chief Academic Officers
Senior Continuing Education Officers
Chief Financial Officers
Registrars
Student Development Officers

FROM: John Pettitt, Ed.D., Executive Director
Audit Services

A handwritten signature in cursive script that reads "John Pettitt".

SUBJECT: Audit Procedures FY 2008 – 2009

This numbered memorandum serves as an update to the Audit Procedures for FY 2008 – 2009. This numbered memo supercedes CC07-196, *Audit Procedures FY 2007 – 2008*.

The information listed below outlines the major components of the annual audits to be conducted during the 2008-2009 fiscal year. The audit procedures vary somewhat from previous years due to changes in legislation, *Title 23 of the North Carolina Administrative Code*, State Board of Community Colleges action, System Office Numbered Memoranda, and recommendations of the State Auditor. A new procedure has been added concerning New and Expanding Industry Training and Focused Industry Training projects (see Section II.v. below). However, the core components of the audits essentially remain the same as in the past few years.

I. Pre-Audit Reviews

- a. The college prior year Audit Report, College Response, and other documents are reviewed to ensure proper steps were taken to resolve any exceptions and concerns. The local board minutes are reviewed to ensure that the board has reviewed the audit findings for the previous year.
- b. Enrollment Trends and other statistical information for the college are reviewed to identify any substantial changes in enrollment and identify the causes.

CC08-172
Paper Copy/Email
Supercedes CC07-196

- c. The college Catalog, both printed and electronic versions, is reviewed to ensure program and local policy compliance.

II. During the Audit

- a. Verification of the following requirements:
 - i. Evaluation of President
 - ii. Personnel Policies
 - iii. Training of Business Office Personnel
 - iv. Training of Trustees
 - v. Ethics Training participation
- b. Verification of Board of Trustees discussion of:
 - i. Office of State Auditor/Office of State Controller Audit Reports
 - ii. US Department of Education Audit Reports
 - iii. Tech Prep Articulation Agreements
- c. The following Computerized Audit (XPA) Reports are reviewed and college staff is asked to clarify questionable items:
 - i. Curriculum Duplicate Class Report or XPAE
 - ii. Cooperative Education or XPAA
 - iii. Student Course Overlap for Curriculum and Continuing Education or XPAQ
 - iv. Underage Students – Curriculum or XPAU
Underage Students – Continuing Education or XPAO
 - v. Duplicate Classes for Extension Students or XPAF
- d. The college Academic Calendar for the period of review is examined. Academic calendars should be scheduled consistent with the reporting periods outlined in CC03-185, *Community College System Calendar*.
- e. For 16-week and non-standard semesters, off-cycle classes, mini-sessions, etc., a sample of classes is reviewed to ensure that the appropriate number of instructional hours are scheduled and delivered. The actual class schedule, including unplanned closing due to inclement weather, is reviewed as a part of this step.
- f. A review of the college Inclement Weather Plan is conducted to ensure that any changes in the college schedule are consistent with both the college plan and System Office guidelines.
- g. A statistically valid Institution Class Report (ICR) Records sample is identified to include the following areas:

Curriculum

- i. Class records are reviewed to ensure that membership hours reported are accurate and the ten-percent point (census date) was calculated accurately. Class records are reviewed to ensure that contact hours reported are accurate and do not exceed the hours listed in the Combined Course Library. All student hours in membership reported must meet reporting requirements per 23 NCAC 02D .0323, *Reporting of Student Hours in Membership for Curriculum Classes*.
- ii. Class schedules are verified, ensuring consistency with hours reported.
- iii. From the sample, course records are reviewed to determine if the courses are in compliance with the existing combined course library and the approved program of study compliance document of the College. Distance Learning coding compliance is also reviewed, per CC05-037, *New and Expanded Distance Learning (DL) Codes*.
- iv. From the sample, a sample of student transcripts are reviewed to determine if state and local prerequisites and corequisites are met and that local policy is followed.
- v. Program terminations, programs with no enrollments, and one-year extensions are reviewed.

Continuing Education

- i. Sample will include all areas of Continuing Education.
 - ii. Class records are reviewed to ensure that student hours in membership reported are accurate and the ten-percent point (census date) was calculated accurately. Class records are reviewed to ensure that student contact hours reported are accurate and do not exceed the hours listed in the Master Course List. All student hours in membership reported must meet reporting requirements of 23 NCAC 02D .0324, *Reporting of Student Hours in Membership for Continuing Education Classes*.
 - iii. Instructor contracts are reviewed to verify that payments are consistent with hours reported for each class. When contract modification occurs, the modification should be accompanied by documentation and be appropriately authorized.
 - iv. Documentation is reviewed to ensure proper registration fees have been charged or fee waivers have been granted appropriately and student signatures or other evidence of membership has been obtained on a fee roster or registration form.
 - v. From the sample, courses are reviewed to ensure compliance with the Master Course List for the period of review. Distance Learning coding compliance is reviewed per CC05-037, *New and Expanded Distance Learning (DL) Codes*.
- h. Curriculum Skills Labs are reviewed to assure that lab hours are being reported consistent with 23 NCAC 02D .0323, *Reporting of Student Hours in Membership for Curriculum Classes*, (d) *Skills Laboratory or Computer Tutorial Laboratory*. Instructor referrals and time cards should be available for review.

- i. Co-operative Education attendance documentation and workbooks are reviewed to ensure the cooperative education program is operating according to the program guidelines detailed in the NCCCS Cooperative Education Work Experience

Handbook and that student membership or contact hours are reported consistent with 23 NCAC 02D .0323, *Reporting of Student Hours in Membership for Curriculum Classes*, (f) *Curriculum Student Work Experience and Clinical Practice*.

- j. Criminal Justice: Basic Law Enforcement Training certification is reviewed to ensure hours reported are consistent with curriculum and occupational extension guidelines. Pre and post delivery reports should be available for review.
- k. Fees are reviewed in both curriculum and continuing education programs and courses ensuring compliance with CC02-150, *New State Board Policy Regarding Fees*, CC04-092, *Collection and Deposit of Institutional Funds*, and CC04-154, *Approval of Changes to the NC Administrative Code*. Approval by the College Board of trustees should be on file for all fees and all monies collected should be deposited in the college institutional fund account.
- l. Captive/Co-opted Programs and Courses are reviewed to ensure that State Board of Community Colleges approvals have been obtained and that the programs are in compliance with the proper matrix classification (if offered in a correctional institution/facility) and 23 NCAC 02E .0403, *Instruction to Captive or Co-opted Groups*.
- m. Cooperative and Joint Programs with High School (Huskins, Early College, Middle College, Academics and Themed High Schools) approvals are reviewed ensuring they are consistent with 23 NCAC 02C .0305, *Education Services For Minors* and the *Curriculum Reference Procedures Manual*. Intellectually Gifted and Mature Students Under 16 years of Age Review are also reviewed per CC05-182, *Admissions Criteria for Intellectually Gifted and Mature Students Under 16 Years Old*.
- n. The college current Institutional Effectiveness Plan is reviewed to verify that it contains the required technology and diversity components. The electronic catalog or Internet and the current printed catalog are reviewed to ensure the eight performance measures are printed annually. Verification of the college Business Continuity Plan, Communicable Disease/Pandemic Influenza in the Work Place Plan, and College Master Facilities Plan is conducted.
- o. The college Maintenance System for archiving permanent records is reviewed.
- p. The implementation of the college Accountability and Credibility Plan for one occupational extension semester is reviewed.

- q. College documentation to support the data submitted for Performance Measures is reviewed. For the 2006-2007 audit period, the data submitted for Student Satisfaction of Program Completers and Non-Completers is reviewed to ensure the college maintains documentation to support the results reported. The college system for collecting the data may also be reviewed.
- r. The college board of trustee approved Self-Supporting Policy is reviewed to verify consistency with the requirements of numbered memos CC98-306, *Self Supporting Recommendations*, CC02-107, *Self-Supported Curriculum Classes for Summer Term*, and CC05-129, *Deposit of Self-Supporting Funds*. Self-Supporting revenues and expenses are reviewed to determine that surplus revenue was expended for the direct benefit of students.
- s. If the college offered instruction during the review period under an Instructional Services Agreement (ISA) in which FTE was shared with another college, these Agreements are reviewed and the division of FTE is checked to determine if each college involved reported the proper portion of FTE and that credentials are appropriately awarded.
- t. Implementation of the college's accountability and credibility plan for one continuing education semester will be reviewed per 23 NCAC 02E .0305, *Continuing Education Program Management* and CC00-146, *Revisions to Accountability and Credibility Plan for Continuing Education*.
- u. Basic skills class files, one for each semester, will be reviewed to determine if documentation of goal attainment matches the reporting of these achievements in the LEIS report.
- v. If the college had New and Expanding Industry Training (NEIT) or Focused Industry Training (FIT) project(s), the Project Profile approval, Payback Agreements, and administrative cost limits for NEIT projects and fee charges for FIT projects will be reviewed.
- w. Additional Reviews may be conducted as warranted by previous findings, problem areas noted, college staff requests, complaints received, etc.

III. Class Visitation (Pre, During and Post Audit Procedures)

- a. Using the current schedule for continuing education courses and the current schedule for curriculum courses, a sample of classes is selected for visitation.
- b. Criteria considered when selecting courses includes:
 - Results of prior year's class visits
 - Results of pre-audit review
 - Remote or unusual locations
 - Unusual course titles

- c. For continuing education classes, the instructor is interviewed regarding class schedule, course content and actual class activities observed by the auditor. An Instructor Interview Worksheet is completed, including instructor signature and date. Class attendance data and course outlines may be reviewed.
- d. An instructor interview is **not** required for curriculum class visits, but may be conducted at the auditor's discretion. Students attending class may be interviewed concerning class schedule and class content. Class attendance data and course syllabi may be reviewed.

IV. Post-Audit Procedures

- a. An Exit Conference is scheduled with the president as soon as possible once the audit is complete followed by a written audit report detailing the scope of the program audit.
- b. Method of conducting the Exit Conference will be at the president's discretion based on the following criteria:

If the Audit Report contains:

No audit exceptions or areas of concern – Videoconference, telephone, or auditor will conduct the Exit Conference at the college.

Area(s) of concern(s) – Videoconference, telephone, or auditor will conduct the Exit Conference at the college.

Management Letter – Videoconference, telephone, or auditor will conduct the Exit Conference at the college.

Exception(s) – auditor will conduct the Exit Conference at the college.

- c. If there are Findings, the college has 30 days from receipt of the preliminary audit report to respond, in writing. When warranted, extensions may be granted to allow a college additional time to develop a response. The college may request a conference with the Audit Services Executive Director and/or the Executive Vice President to present pertinent information regarding the issue(s) in question. After reviewing all available information, a final audit report is developed and forwarded to the college. If the issue(s) are not resolved, the college may appeal the audit findings to the State Board of Community colleges. This appeal must be submitted in writing within 30 days of receipt of the final audit report. The Board's Policy Committee will hear the appeal and make its recommendation to the State Board of Community Colleges.

The auditors function in a coaching/consultative and proactive manner and are available to provide assistance to college staff with implementation of the laws, policies, procedures, guidelines, and reporting requirements.

As in previous years when a NEW audit step is added to the audit process, the first year of implementation is a coaching year where the auditor checks to ensure that the college has implemented processes, procedures, or policies to become compliant with the audit question, the second year is a year of audit concern when the college is non-compliant, and the third year is a year of an audit exception if the college is non-compliant, which will result in the reimbursement of funds or student hours in membership.

If you have any questions, please feel free to contact your auditor for assistance or contact me at the System Office at pettittj@nccommunitycolleges.edu or 919-807-7224. We look forward to working with you and your college as you strive to meet the educational, workforce, and economic development needs of your communities and the State.

JP:pnm

c: Mr. Fred G. Williams, Executive Vice President
System Office Vice Presidents
Auditors