



STATE OF NORTH CAROLINA

BLADEN COMMUNITY COLLEGE FISCAL CONTROL AUDIT

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

BLADEN COMMUNITY COLLEGE

FISCAL CONTROL AUDIT



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AUDITOR'S TRANSMITTAL

October 15, 2009

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Bladen Community College
Dr. William Findt, President

This report presents the results of our fiscal control audit at Bladen Community College. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The objective of a fiscal control audit is to identify improvements needed in internal control over selected fiscal matters, such as financial accounting and reporting; compliance with finance-related laws, regulations, and provisions of contracts or grant agreements; and/or management of financial resources.

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*. These items are described in the Audit Findings and Responses section of this report. *North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS	1
AUDIT FINDINGS AND RESPONSES	3
ORDERING INFORMATION	5

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

OBJECTIVES, SCOPE, AND METHODOLOGY

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a fiscal control audit at Bladen Community College. We conducted the audit based on a request from the College.

The objective of a fiscal control audit is to identify improvements needed in internal control over selected fiscal matters, such as financial accounting and reporting; compliance with finance-related laws, regulations, and provisions of contracts or grant agreements; and/or management of financial resources. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

To accomplish our audit objectives, we gained an understanding of internal control over matters described below and evaluated the design of the internal control. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that may reveal significant deficiencies in internal control. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, and examining documentation supporting compliance with state construction regulations, policies, and procedures.

As a basis for evaluating internal control, we applied the internal control guidance contained in *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As discussed in the framework, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit scope covered the College's \$1 million vocational training center's renovations and additions project (project 1255, phase II), which took place over the period of July 1, 2006 – June 30, 2009. During our audit, we considered internal control related to compliance with

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)

state construction regulations, policies, and procedures performed by the Financial Operations and Administrative unit of the College. This organizational unit is responsible for the general accounting functions of the College and for ensuring compliance with state construction regulations, policies, and procedures.

RESULTS

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards. These items are described in the Audit Findings and Responses section of this report.

AUDIT FINDINGS AND RESPONSES

NONCOMPLIANCE WITH STATE CONSTRUCTION REGULATIONS, POLICIES, AND PROCEDURES

Bladen Community College did not have adequate controls in place to ensure compliance with state construction regulations, policies, and procedures. As a result, the College's vocational training center's renovations and additions project (project 1255, phase II) was not in compliance with various state construction requirements.

During our audit we noted the following instances of noncompliance:

- The College did not comply with the *State Construction Manual* requirement that the State Construction Office approve the design documents for construction projects prior to bidding the project. The construction contract for the training center's renovations and additions project was signed in February 2008. The College did not receive approval from the State Construction Office for the project's design documents until the completed project received a final inspection in May 2009.
- The College did not comply with *North Carolina General Statute* 143-129(b) and the *State Construction Manual* requirements that any construction contracts over \$500,000 be advertised for bid in a newspaper having general circulation in the State of North Carolina. The statute and manual also require that the advertisement appear at least seven days before the date bids are to be opened. The College has been unable to provide evidence that an advertisement was placed in any newspaper, such as an invoice from a newspaper or an indication that payment was made to a newspaper. However, a bid notice was posted to Internet sites regularly accessed by contractors. Documentation indicates the College opened the bids on January 31, 2008.
- The College did not comply with the *State Construction Manual* requirements to obtain the State Construction Office's approval of the selected contractor prior to drafting the construction contract and approval of the contract document before holding the preconstruction conference. The preconstruction meeting for the project was held in March 2008. The College was unable to provide documentation that indicates it had obtained approval from the State Construction Office for the selected contractor or the construction contract. A letter to the College from the State Construction Office dated March 2009 stated that the construction contract was awarded without the project being submitted to the State Construction Office for review.
- The construction contract for the training center's renovations and additions project included a cash allowance, which according to the *State Construction Manual*, is not allowed. The cash allowance was a miscellaneous amount included in the contract by the designer for unknown factors that may arise as the project progressed. This noncompliance was the result of the College not following the State's required approval process for construction contracts as noted above.

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

Recommendation: The College should strengthen internal controls to ensure compliance with state construction regulations, policies, and procedures.

Agency Response: Bladen Community College agrees with the audit findings and recommendations of the fiscal control audit of the College's vocational training center's renovations and additions for project 1255, phase II. To strengthen internal controls and to ensure compliance with construction regulations, policies, and procedures, the College has identified an official Capital Projects Coordinator. This Coordinator manages the College's construction projects.

ORDERING INFORMATION

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