

Procedure: 3.1.8p. (II.A.2.e1)

State Board Audit Resolution Process

Revised: November 2, 2011

Last Reviewed: November 2, 2011

Adopted: January 11, 2007



I. PURPOSE:

The Deputy Commissioner or designee shall be responsible for reviewing all internal and external audit reports received by the technical colleges annually.

II. RELATED AUTHORITY:

O.C.G.A. § 20-4-11 – Powers of the Board

O.C.G.A. § 20-4-14 – TCSG Powers and Duties

State Board POLICY: 3.1.8. Audits

III. APPLICABILITY:

All work units and technical colleges associated with the Technical College System of Georgia.

IV. DEFINITIONS:

V. ATTACHMENTS:

VI. PROCEDURE:

The results of all internal and external audit reports shall be compiled and each college shall be rated based on the audit results. This consolidated report shall be presented to the Governance, Compliance and Audit Committee of the State Board. The audit ratings are as follows.

For Colleges receiving a **full audit or a full disclosure report**, the individual audit findings or points are rated as follows:

- **Insignificant** – Nominal violations of procedures, rules, or regulations. Not included in report. Corrective action suggested verbally, but not required.
- **Notable** – Minor violation of policies and procedures; and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Moderate risk identified. May be included in report. Corrective action may be required.
- **Significant** – Significant violation of policies, procedures, or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Significant risk identified. Item included in report. Corrective action required.
- **Major** – Major violation of policies, procedures, and/or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste, and/or abuse; and/or major

opportunity to improve effectiveness and efficiency. Major risk identified. Item included in report. Immediate corrective action required.

Completed **full audits or full disclosure reports** of technical colleges are rated as follows:

- **One** – Three or less notable observations. No internal control weaknesses noted. Good adherence to laws, regulations, and policies. Excellent control environment.
- **Two** – Four or more notable observations. No internal control weaknesses noted. Minor violations of policies and procedures. No violation of laws. Minor opportunities for improvement.
- **Three** – Four or more notable observations and/or less than three significant observations. Three or more notable violations of policy. Minor violations of regulations. No violations of laws. Moderate opportunities for improvement.
- **Four** – Three or four significant observations and no major observations. Controls were weak in one or more areas. Noncompliance with policies/regulations put the institution at risk. Violation of law (not serious). Substantial opportunities for improvement.
- **Five** – Five or more significant observations or one or more major observations. Significant risk for noncompliance with policies and/or regulations. Serious violation of laws. Significant opportunities for improvement.

For colleges receiving an **agreed upon procedures report**, the individual bullet items are rated as follows:

- **Insignificant** – Nominal violations of procedures, rules, or regulations. The total of the amounts referenced in the individual bullet noted in the report is immaterial to the college. (less than 3% of total revenue received)
- **Notable** – Minor violation of policies and procedures; and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Moderate risk identified. The total of the amounts referenced in the individual bullet noted in the report is immaterial to the college. (less than 3% of total revenue received)
- **Significant** – Significant violation of policies, procedures, or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Significant risk identified. The total of the amounts referenced in the individual bullet noted in the report is material to the college. (more than 3% of total revenue received)
- **Major** – Major violation of policies, procedures, and/or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste, and/or abuse; and/or major opportunity to improve effectiveness and efficiency. Major risk identified. The total of the amounts referenced in the individual bullet noted in the report is material to the college. (more than 3% of total revenue received)

Completed **agreed upon procedures reports** of technical colleges are rated as follows:

- **One** – Four or less notable observations. No internal control weaknesses noted. Good adherence to laws, regulations, and policies. Excellent control environment.
- **Two** – Five or more notable observations and/or one or two significant observations. No internal control weaknesses noted. Minor violations of policies and procedures. No violation of laws. Minor opportunities for improvement.
- **Three** – Five or more notable observations and/or three or four significant observations. Three or more notable violations of policy. Minor violations of regulations. No violations of laws. Moderate opportunities for improvement.
- **Four** – Five or more significant observations and no major observations. Controls were weak in one or more areas. Noncompliance with policies/regulations put the institution at risk. Violation of law (not serious). Substantial opportunities for improvement.
- **Five** – Six or more significant observations and one or more major observations. Significant risk for noncompliance with policies and/or regulations. Serious violation of laws. Significant opportunities for improvement.

All colleges receiving an audit rating of five shall come before the Audit and Governance, Compliance and Audit Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as presenting a corrective action plan to the committee for approval.

All colleges receiving an audit rating of three, four or five for two consecutive years shall come before the Audit and Governance, Compliance and Audit Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as presenting a corrective action plan to the committee for approval.

If a college initially receives an audit rating of four or five and in the subsequent year the rating improves to a three or four, the Audit and Governance, Compliance and Audit Committee of the State Board has the discretion to decide if the College shall be required to appear before the committee.

All colleges receiving an audit rating of three, four or five for three consecutive years with no rating improvement shall come before the Executive Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as why the corrective action plan was not implemented.

VII. Record Retention: N/A