Private Career College Key Performance Indicators

Questions and Answers Regarding the Audit of Enrolment and Graduate Data

January 2014

Questions and Answers

1. ***For the first Key Performance Indicator (KPI) reporting year (2013), how far back must auditors track students/graduates in the enrolment and graduate data files? Must the private career college (PCC) auditor assess all files going back 200% of the PCC's longest vocational program's duration?***

For the first year of KPI implementation (2013), the answer is yes. In order to reduce error and keep the audit process as straight forward as possible for, both the extraction of the files and the subsequent audit of the files, the Ministry of Training, Colleges and Universities (ministry) asks for all programs going back 200% of the PCC's longest vocational program's duration in order to eliminate any scrubbing.

Therefore if a PCC has a 9 month and a three month program, it was required to report and have audited all enrolment and graduate data for <u>both</u> programs for the 18 month period prior to January 1, 2013. It is not sufficient for the PCC to report and have audited only six months of data prior to January 1, 2013 for the three month program.

2. ***For PCCs with fiscal year ends prior to April 30, 2013, when is the deadline for the final audit report related to their 2013 enrolment and graduate data?***

For the 2013 collection cycle, PCCs with fiscal year ends prior to April 30, 2013 must have all 2013 calendar year enrolment and graduate data (Winter, Summer and Fall terms[1]) audited by their 2014 renewal of registration deadline (six months after their fiscal year end).

For example, a PCC with a January 31, 2013 fiscal year end must have all of its 2013 enrolment and graduate data audited and submitted to the ministry and Forum Research Inc. (Forum) by July 30, 2014. See Appendix C of the KPI Audit Guideline for more information.

3. ***Appendix A of the KPI Audit Guideline includes a standard template for the final auditor's report related to the audit of enrolment and graduate data. Should all auditors use this template when developing the final KPI audit report?***

Yes, the required auditor's report for enrolment and graduate data is a report on compliance with enrolment and graduate data reporting requirements as set out under section 36.1 of Ontario Regulation 415/06; Policy Directive #11 – Private Career College

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[1] These terms are defined in both the KPI Operating Procedure and KPI Audit Guideline available at www.pcckpi.ca.

Key Performance Indicators and Performance Objectives – and the Key Performance Indicator Operating Procedure. These documents can all be found at www.pcckpi.ca under the "Important Documents" heading.

The ministry worked with a representative of Chartered Professional Accountants of Canada (CPA) to develop the current audit report template. We would refer you to Section 5800 and 5815 of the Assurance Section of the CPA Handbook.

4. **The table in Schedule A of the KPI Audit Guideline includes a column heading "Further Information / Summary of Corrections". What types of information/corrections should be included within this column?**

This column should identify the changes made by the PCC in order to correct the errors in its enrolment or graduate files that were identified by the auditor (e.g., missing/incorrect data).

For example, if an auditor identifies blank columns/fields within the enrolment and graduate data files submitted by the PCC and the PCC then completes these columns and resubmits this data to Forum (as is required) the auditor can use this column to identify that the PCC included information related to the three columns that were previously missing.

5. **Enrolment Date: Regarding transfer students, should the enrolment date reflect the date upon which the student enrolled in the first program of instruction, or the start date of the program which the student transferred into and therefore graduated from?**

The PCC KPI Operating Procedure, currently available at www.pcckpi.ca, includes the definition of the Program Start Date:

"(s) Program Start Date (formerly called "Enrolment Date"): The date on which a student commenced training in a vocational program provided by a registered PCC, as specified in the student's enrolment contract with the PCC."

In the case of transfer students, we have created two new fields/columns in the enrolment data file template, M.1 and M.2. If a student transferred out of one vocational program (e.g., Program A) and into another (e.g. Program B), the PCC should include "Y" in m.1 and the name of "Program A" in M.2.

6. **Graduation Date: The definition of "Graduation Date" included in the KPI Operating Procedure and Audit Guideline states that this is the date on which a student completed all of the necessary academic and practical requirements for his/her vocational program. Can we consider the graduation date the day on which the student received his/her certificate/diploma?**

As some institutions have set graduation ceremonies within each academic year, the date on which a student received his/her certificate/diploma may be far off from the date on which he/she completed all of the necessary requirements of his/her program. Therefore, it is not recommended that auditors assume a student's graduation date, as

reported in the graduate data file, is the same date as the day the certificate/diploma was awarded.

PCCs should have processes in place to monitor/track the progression of students in their vocational programs and whether or not all of their program requirements (e.g., academic and practical requirements) have been met before they qualify for graduation.

In conducting this audit of enrolment and graduate data, it is recommended that auditors assess the processes in place for tracking the progression of students in their programs and requirements for graduation. Should there not be sufficient processes and monitoring controls in place to assess a student's completion of his/her program, it is expected that this would be reflected in a management recommendation letter, which would be issued as part of the final audit report.

7. ***Sample size and technique: Is there a resource available to auditors to assist in determining the appropriate sample size required to meet the 95% confidence factor with 2% materiality requirements set out in the Audit Guideline?***

The Canadian Auditing Standards require that auditors exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit and, among other things:

- Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control;
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks; and
- Form an opinion based on conclusions drawn from the audit evidence obtained.

The current KPI Audit Guideline (pg. 6) specifies a "confidence level of 95 per cent and a materiality limit of 2 per cent with respect to the limit of net overstatement". In this case, 2% materiality refers to Precision. The word "materiality" was used such that the material limit would not exceed 2% with respect to the upper limit of overstatement. The KPI Audit Guideline will be updated shortly to help clarify this point for PCC auditors.

The ministry has not specified any "tolerable rate of occurrence". The objective is to estimate the actual rate of occurrence of deviations in the population, with the sample size being large enough so that the precision achieved by the sample is 2% or less. This achieved precision depends on the observed sample results. A suggested formula can be used as follows:

		CL= Confidence Level – for 95% use 1.96 factors
n =	**CL(squared) X PS X ERR(1-ERR)**	PS= Population Size
	(P(squared) X PS) + (CL(squared) X ERR(1-ERR))	ERR= Expected Error Rate
		P= Precision %

Using this formula, for 100 students, an auditor would need to sample 65 to provide a Confidence Level of 95% with a 2% Precision and an Expected Error Rate of less than 2%. There is no mention of Error Rate in the Audit Guideline as this would be the decision of the auditor.

The following website may be used as a reference for sample size calculations and other statistical sampling matters: http://www.raosoft.com/samplesize.html

8. Do we need to verify the completeness of the enrolment and graduate files reported to Forum?

In conducting the audit of reported enrolment and graduate data, you are to use the information in the enrolment and graduate files which are reported to Forum, acting on behalf of the Superintendent of Private Career Colleges[2]. The Superintendent must know the proper enrolment base and graduation base to calculate graduation rates for PCCs' vocational programs as well as to survey graduates six months after graduation in order to calculate the remaining four KPIs.

In conducting your audit, you are providing assurance of the information reported to Forum for the purpose of calculating KPIs. Therefore, the audit should include tests to verify that all entrants and graduates have been included in the enrolment and graduate files reported to Forum. The intent of this audit is to provide assurance that the enrolment and graduate data reported by the PCC is not misstated by more than 2% – this applies equally to both over and understatements.

Please note that a proper test of completeness would indicate that the students that withdrew within the Grace Period (see definition on pg.4, KPI Audit Guideline) are not included in the enrolment files. It is implicit that the auditor use another source of information (i.e., other than the uploaded enrolment files) to determine completeness.

9. The 7 audit requirements (A-H) included in the KPI Audit Guideline (pg. 6) cannot be completed by choosing a single individual from either the enrolment or the graduation data files. How are auditors to handle this? Should a student be chosen then traced to both sets of data files?

Enrolment and graduate data files are to be treated separately, as two distinct groups. Therefore two statistical tests should be done. A student could be enrolled but not graduate. A graduate will have enrolled every time.

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[2] The Superintendent is an appointee of the Minister of Training, Colleges and Universities.

While enrolment data and graduate data are two distinct groups, a student could be chosen then traced to both sets of data files. If a student is chosen from the enrolment file then he/she could also be traced to the graduate file to note when he/she graduated and vice versa. Although the two files are separate, they are often referenced with each other in the enrolment-graduate process.

If a question cannot be traced to either file and answered, then an N/A with an explanation would be required. For instance, if a student is enrolled in a program and has not graduated, the response would be N/A.

Due diligence and professional judgment applies regarding the enrolment files, the graduate files and the non-graduates such that the numbers balance and there is completeness and reconciliation in the overall process. We leave the nature and extent of tests to your professional judgment.