

MINUTES
Accountability and Audit Committee
State Board of Community Colleges
February 16, 2017

ACCOUNTABILITY AND AUDIT COMMITTEE MEMBERS PRESENT:

Jerry Vaughan, Vice-Chair	Lisa Estep	Darrell Saunders
Breeden Blackwell	Samuel Powell	Scott Shook

Absent: Jimmie Ford, Candler Willis

POLICY COMMITTEE MEMBERS PRESENT:

Ernie Pearson, Chair	Janet Lowder*	Jim Rose
Bobby Irwin	Bill McBrayer	Clark Twiddy
Todd Johnson	Lynn Raye	

* Attended via phone

OTHERS IN ATTENDANCE:

Jimmie Williamson	Scott Corl	Lyn Austin (NCACCT)
Jennifer Haygood	Sondra Jarvis	David Johnson (Johnston CC)
Lisa Chapman	Bryan Jenkins	Lawrence Rouse
Elizabeth Grovenstein	Shanté Martin	(James Sprunt CC)
Maureen Little	Bill Schneider	Linda Suggs (Gates Fnd)
Chreatha Alston	Elizabeth Self	Thomas Walker (Wayne CC)
Anne Bacon	Mary Shuping	

WELCOME AND ETHICS STATEMENT

Mr. Vaughan and Mr. Pearson called the Accountability and Audit Committee meeting as well as the Policy Committee meeting to order at 3:07 p.m. in the Dr. W. Dallas Herring State Board Room. Mr. Vaughan read the Ethics Awareness and Conflict of Interest Statement and asked if there were any known conflicts with either committee. None were noted.

APPROVAL OF THE AGENDA

Mr. Vaughan requested a motion to approve the February 16, 2017 Accountability and Audit meeting agenda. Dr. Blackwell moved to approve, Mr. Raye seconded, and the committee approved the agenda without change.

Mr. Pearson requested a motion to approve the February 16, 2017 Policy meeting agenda. Mr. Raye moved to approve, Mr. McBrayer seconded, and the committee approved the agenda without change.

APPROVAL OF THE MINUTES

Mr. Vaughan requested a motion to approve the January 19, 2017 Accountability and Audit minutes. Dr. Blackwell moved to approve, Dr. Saunders seconded, and the minutes were approved by the committee as presented.

MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

Mr. Pearson requested a motion to approve the January 19, 2017 Policy minutes. Mr. Irwin moved to approve, Mr. Twiddy seconded, and the minutes were approved by the committee as presented.

FOR INFORMATION (ACCOUNTABILITY AND AUDIT)

Update on QAR (Quality Assurance Review)

Mr. Jenkins reminded the Committee the System Office's Internal Audit department is required to undergo a Quality Assurance Review every five years. The review will be conducted by the Office of Internal Audit, specifically Ms. Barbara Baldwin. Much of the preliminary work has been done and the field work will start on February 23, 2017. Once the audit is complete, Mr. Jenkins will present the report to the Committee.

Update on Wayne Community College

Mr. Jenkins stated the Accountability and Audit Committee and the State Board had questions about the audit of Wayne Community College conducted by the State Auditor's office when presented to the board in January, 2017. When staff followed up with President Walker, he offered to come speak to the committee.

President Walker shared the timing of the audit. Some disciplinary actions had already occurred and President Walker drafted an initial response the State Auditor's office in consultation with the college's general counsel. After submitting the response, President Walker conducted an investigation and assessment of the situation. It was decided that both employees would be disciplined. At this time, all funds are returned or in the process of being returned and all grades/credits have been expunged. President Walker is reviewing policies and training in reference to secondary employment and employees taking classes at the college to help prevent future issues. Dr. Blackwell thanked President Walker for attending the meeting and addressing the Committee. President Walker stated he feels the disciplinary action and probation was appropriate for the employees based on history.

Update on Martin Community College

Mr. Jenkins gave an update on changes to the Board of Trustees and the Interim President starting at Martin Community College. Representatives from Martin Community College will attend the full State Board meeting on Friday to give a more detailed update. The presidential search has not begun at this time. Based on information from Interim President Boham and staff of Martin Community College, President Williamson has not talked to SACS about getting an extension. President Williamson stated President Boham and staff feel they will be ready for the SACS review when scheduled.

MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

FOR INFORMATION (POLICY)

SBCC Code Report – February 2017 (Attachment POL 1)

Ms. Martin reviewed the SBCC Code Report.

FOR FUTURE ACTION (POLICY)

Recommendations for Initial Proprietary School Licensure (Attachment POL 2)

Mr. Corl presented the information about the Shades of Purple school to be approved as recommended.

Mr. Raye made a motion to move Recommendations for Initial Proprietary School Licensure from Future Action to Action, Mr. Johnson seconded and the committee approved via voice vote.

FOR ACTION (POLICY)

Recommendations for Initial Proprietary School Licensure (Attachment POL 2)

Mr. Johnson motioned to approve Recommendations for Initial Proprietary School Licensure, Mr. Twiddy seconded and the committee approved via voice vote.

FOR DISCUSSION (ACCOUNTABILITY AND AUDIT / POLICY)

NC Community College System Governance

Mr. Vaughan reminded the members that the conversation began during the earlier board meeting.

There are three main areas:

- Relationship between the President and the local Board of Trustees
- The State Board's relationship to the local Board of Trustees
- Ways to address the State Board's authority

Mr. Vaughan asked if members felt that there was an area that is more important and whether the items should be prioritized based on what would result in the most effective response.

Mr. Pearson recommended the State Board consider the following items:

- Page 1:1a – Require contracts of local presidents to be on file with System Office.
- Page 1:1b – Establish parameters for length and renewal of contracts of local presidents.
- Page 1:1f – SBCC adopt rule to require that leave payouts be consistent with the State Human Resources Act.

If president contract parameters are defined, System Office Legal could certify if a local college contract fit within those parameters prior to it the local college offering the contract and before the candidate is presented to the State Board.

Mr. Pearson also recommended considering the following:

MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

- Page 3:1a – SBCC authority to assume local board duties under prescribed conditions

Adopting this could enable the State Board to act without having to remove state funds. There is precedent with school boards and local governments. It would enable the State Board to have an appropriate measure that would not risk elimination of the college.

Chairman Shook stated there are items being considered that the State Board has the authority to move forward without legislation. Other items may require a change in legislation.

Dr. Powell recommended the State Board talk to the Presidents' Association prior to adopting rules, especially surrounding hiring and firing of presidents. Chairman Shook stated the State Board does not intend to oversee the day to day operations of a local college. Local presidents are not employed directly by the State Board. The Board of Trustees is the employer of the college president. Mr. Vaughan mentioned certification of a contract could be overbearing. Chairman Shook stated he would rather provide parameters and the State Board should not be involved in negotiating a local president's contract.

Mr. Raye recommended that local colleges should submit Southern Association of Colleges and Schools (SACS) compliance reviews for the State Board to review. The Committees discussed if some of the rules will be seen as punishment or trying to prevent major issues from occurring again. The idea is to put parameters in place to avoid a desperate situation. The State Board should work with the Trustees' Association to increase communication and training potential.

Ms. Estep said that she would like to see the following included:

- Page 1:1c – BOT oversight of vacancy /turnover rates
- Page 1:1d – Require College President Evaluations to be approved and signed by full local board

The members discussed the need for the State Board to look at things globally.

Mr. Vaughan noted support for every item on page one. Discussed how much can be accomplished pursuant to G.S. 115D-5 -SBCC authority to adopt and execute policies, regulations, and standards related to the operation of community colleges as the SBCC "deems necessary". Ms. Martin stated changes could be made utilizing the rule making process.

The members discussed the importance of making decisions prior to the General Assembly making changes.

Ms. Haygood stated staff needs guidance on how the State Board would like to proceed.

MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

Mr. Vaughan The State Board would like to continue to work with the Trustee Association and the President Association. While working together, issues at colleges should not be allowed to go on for several years without being addressed.

Chairman Shook stated BOT are tasked with overseeing the colleges, the State Board is tasked with overseeing the system. Some of the changes may have to be done by legislative change or SBCC Code rule change. Input is needed from all the vested bodies, but ultimately the State Board is responsible for the system. When things occur system wide, the questions and responsibility will come to the State Board. The State Board is not responsible for the day-to-day operation of a college.

Mr. Raye stated any actions taken should be taken to protect the presidents and protect the colleges. Chairman Shook stated having parameters will help mitigate future issues. The motion, if taken, would need to ask for staff to move forward with providing outlines of procedures to come through the Policy Committee. Mr. Vaughan recommended that we seek input from vested parties.

Ms. Austin stated when one school has a problem, 57 schools should not suffer for it, not only by changes to rules and regulations, but also in the court of public opinion. Each member should be able to acknowledge the individual problem, acknowledge the problem is being fixed. Issues can be handled in a way that does not hurt the other colleges. The structure of the community college system is set up in a specific and unique way to serve North Carolina. Ms. Austin encouraged all of the State Board members to participate in a trustee training. It is hard on the State Board because of the attention focused on the current issue at Martin Community College. Past issues have all been dealt with without hurting the whole system. Any fights with the General Assembly could result in no winners.

Mr. Pearson stated unfortunately one college having a problem can affect all 58 colleges. All the colleges have a stake in making sure that all colleges are successful. Ms. Austin shared other presidents were begging for something to be done about the situation.

Ms. Stovall stated as a student, the Martin CC situation upset her. Concerned students at Martin CC were dismissed without being heard. Unfortunately, the student body has not been active in N4CSGA since 2015.

Dr. Blackwell stated if the presidents and the trustees are doing their jobs, any changes the State Board decides to take will have no effect.

Mr. Vaughan stated the members need to decide how to proceed. There needs to be a consensus. Chairman Shook reminded members of there areas to concentrate on:

- Preventing colleges from getting into trouble.
- What additional steps do we have to get a college out of trouble?

MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

Chairman Shook asked for a motion to be made for staff to expound on the following items that the State Board members have discussed. Ms. Haygood reviewed those items would be:

- Staff draft language for rules:
 - Page 1:1a – Require contracts of local presidents to be on file with System Office
 - Page 1:1b – Establish parameters for length and renewal of contracts of local presidents
 - Page 1:1c – BOT oversight of vacancy/turnover rates
 - Page 1:1d – Require College President Evaluation to be approved and signed by full local board
 - Page 1:1e – Codifying the SBCC vetting process for hiring community college presidents
 - Page 1:1f – SBCC adopt rule to require that leave payouts be consistent with the State Human Resources Act.
 - Page 3:2b – College send SCAC reviews to SBCC
- Staff language for legislation:
 - Page 3:1a – SBCC authority to assume local board duties under prescribed conditions.

Additional actions requested of staff:

- Process of steps to deal with a problem be codified.
- Local Board of Trustee meeting schedule be codified with more meetings required. Ms. Martin stated codifying the meeting schedule will take legislation.
- Obtain a copy of the trustee training and the curriculum standards from the Trustees' Association.

Ms. Austin stated early detection is needed to help mitigate issues. There needs to be a way to move things in the right direction.

Ms. Estep stated early detection could be difficult due to the lack of resources at the System Office. Ms. Haygood reminded members that Mr. Jenkins, as Internal Auditor, does not support the 58, but his role is Internal Auditor of the System Office. If there needs to be an auditor assisting the 58, the System Office will need additional resources.

Ms. Haygood stated staff is clear on the action items from the meeting -

- Staff draft language for rules:
 - Page 1:1a – Require contracts of local presidents to be on file with System Office
 - Page 1:1b – Establish parameters for length and renewal of contracts of local presidents
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MINUTES
Accountability and Audit Committee and Policy Committee
State Board of Community Colleges
February 16, 2017

- Staff draft language for potential legislation:
 - Page 3:1a – SBCC authority to assume local board duties under prescribed conditions.
 - Require a change in the meeting schedule to a minimum of 6 times per year

Chairman Shook reminded the board of the appointing authorities for trustees. Ms. Lowder stated at Stanly Community College, legislation has been introduced (HB 12 and HB 14) which could change the makeup of appointing authorities which would impact Stanly and Montgomery Community Colleges.

Ms. Haygood reminded the board there are various bill filing deadlines in March.

NEW BUSINESS

ADJOURNMENT

Mr. Vaughan, asked for a motion to adjourn. Mr. Johnson moved to adjourn, Mr. McBrayer seconded. and the committee agreed at 4:31 p.m. via voice vote.

Respectfully submitted,
Sondra Jarvis, Recording Secretary