

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

ACCOUNTABILITY AND AUDIT COMMITTEE MEMBERS PRESENT:

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

POLICY COMMITTEE MEMBERS PRESENT:

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

OTHERS IN ATTENDANCE:

Jimmie Williamson	Bryan Jenkins	Lawrence Rouse (James Sprunt CC)
Jennifer Haygood	Shanté Martin	Dale McInnis (Richmond CC)
Sondra Jarvis	Mary Shuping	

WELCOME AND ETHICS STATEMENT

Representative Ford and Mr. Pearson called the Accountability and Audit Committee meeting as well as the Policy Committee meeting to order at 3:00 p.m. in the Dr. W. Dallas Herring State Board Room. Representative Ford 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 MINUTES

Representative Ford requested a motion to approve the February 16, 2017 joint Accountability and Audit and Policy minutes. Mr. Irwin moved to approve, Dr. Saunders seconded, and the minutes were approved by the committee as presented.

FOR INFORMATION (ACCOUNTABILITY AND AUDIT)

College Financial Audit Findings 5 Year Summary (Attachment AUD 1)

Mr. Jenkins reviewed the College Financial Audit Findings 5 Year Summary report. Eight (8) audit reports have been released so far this year and there are not any findings. Three (3) of the eight (8) have been conducted by outside CPA firms. As a follow-up to the February meeting, Mr. Jenkins shared Wayne Community College's audit report had no findings.

Chairman Shook asked what the cost difference is for an audit done by the State Auditor's office versus a private firm. Mr. Jenkins shared the State Auditor's office average billing rate is \$103. As for the CPA firms used, the average billing rate is \$108. Discussed number of hours billed for the audits, whether the number of hours was comparable to the size of the school, and variations within the audits completed. The average number of hours was 300 hours. Average total cost is just shy of \$31,000.

Ms. Estep asked of the colleges that had findings in 2015, how many have decided to have audits in 2016. Mr. Jenkins said that he is not aware of any currently. Ms. Estep shared that Guilford Technical

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Community College has chosen to have an audit every year and she wondered why a college would choose to do that. Mr. Jenkins stated there are a few colleges that choose to have an audit every year at the request of the Board of Trustees. Ms. Estep stated that is commendable.

Ms. Estep said as of fiscal year-end 2015 there were seven colleges that had findings. Two colleges, Piedmont Community College and South Piedmont Community College had findings in 2013 and 2015.

- Mr. Jenkins gave an update on South Piedmont.

Ms. Estep directed staff to provide the committee with the colleges' responses to audit findings.

Mr. Jenkins discussed the frequency of financial audits, pricing, the follow-up process, and how many colleges audits that should be expected this calendar year. The expectation is that by April or May the number of audits will be much higher.

FOR INFORMATION (POLICY)

SBCC Code Report – March 2017 (Attachment POL 1)

Ms. Martin reviewed the SBCC Code Report.

FOR ACTION (POLICY)

Amend 3B SBCCC Subchapter 400 – “Temporary Rules” (Attachment POL 3)

Ms. Martin said this rule is in direct response to concerns expressed during the situation at Martin Community College. This rule is proposed to have been amended to allow the State Board to take action that may be necessary if there is a serious or unforeseen threat to public health or safety or serious or unforeseen circumstance where adhering to the normal notice of hearing process would not be helpful to the community college stakeholders. This would provide more flexibility, but if the rule does not go through the normal process to become a permanent rule, then it would expire after 60 days.

Mr. Raye made a motion to approve the following, seconded by Mr. Twiddy

Amend 3B SBCCC Subchapter 400 – “Temporary Rules”

The committee approved via voice vote.

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FOR DISCUSSION (ACCOUNTABILITY AND AUDIT / POLICY)

Staff Response to State Board Direction re: System Governance Options (Attachment POL 2)

Mr. Pearson gave an overview of the history leading to this item.

Ms. Martin stated staff summarized the list of items that the State Board asked staff to draft.

1. Presidential Contracts (Item a-b)
 - a. Dr. Hunter shared his concern that contracts submitted to the system office would be considered a personnel file. Ms. Martin stated the file at the System Office would only contain the contract which is public record. Dr. Hunter stated part of the concern is presidential salaries being made public, however does not see an issue if the parameters match the explanation that Ms. Martin provided. Ms. Martin reminded the committee that salary information is public record. Mr. Raye asked if any additional local supplements are included in retirement. Ms. Haygood stated if local payment is part of salary, then it can go toward retirement.
 - b. The committee discussed if a four-year contract was fair. Ms. Haygood reminded the committee that local presidents are not required to have a contract.
 - c. The committee requested staff change language in Attachment POL 2A (line 10) to “shall not exceed four years”. Ms. Haygood shared some boards may want a shorter contract so they are not bound to a buyout which cannot be funded with state funds.
 - d. Committee also discussed contract length and rolling contracts.

Mr. Irwin made a motion, seconded by Mr. McBrayer for staff to proceed with the rule making process with 1C SBCCC 300.98A Presidential Contracts as amended. Motion passed unanimously.

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2. Requiring college president evaluations to be approved and signed by full local board (Item d)
 - a. Ms. Martin stated colleges are required to submit a president evaluation annually, however the amendment to rule 1C SBCCC 300.98 would ensure the evaluation is being seen by the full local board.
 - b. Mr. Shook asked if the evaluation is confidential. Ms. Martin shared the evaluation is part of the president’s confidential personnel file. Mr. Jenkins stated the letter received at the System Office only states that the president has been evaluated based on criteria specified in law.

Mr. McBrayer made a motion, seconded by Mr. Irwin for staff to proceed with the rule making process to amend 1C SBCCC 300.98 Evaluation of Presidents. Motion passed unanimously.

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3. Codifying the SBCC vetting process for hiring community college presidents (Item e)
 - a. The process is still in development.
 - b. Mr. McBrayer based on conversation from the Personnel committee, it was recommended that the vetting process require a criminal background checks and drug tests be done by the local college.
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4. SBCC adopting rule requiring that leave payouts be consistent with the State Human Resources Act (Item f)
 - a. Ms. Martin stated this rule is currently before the Personnel committee for approval of changes to other parts of the same rule. The proposed changes for the Accountability & Audit / Policy committees to consider are specific to leave payouts on line 28 and line 29 on page 2 of 7 which would make this rule consistent with the state policy and protect the colleges. This proposed change is consistent with what many of the colleges have, including Martin Community College. Martin CC chose to supersede the local policy, but if the State Board codifies this, the local college would not be able to supersede.
 - b. Ms. Haygood shared payouts of leave are considered compensation for retirement purposes. If an employee retains a large amount of leave, it could cause pension spiking and the board would have to pay the fees. Discussed the impact on state and local funds.

Mr. Vaughan stated there is a lot of concern and angst about the stakeholders not having the opportunity to weigh in and be heard. Ms. Martin reviewed the rule making process including how staff processes responses to comments. The State Board has the option of accepting or rejecting changes based on comments and the information would go out for comment again. The process enables all stakeholders to be heard.

Dr. Hunter asked for clarification on decision about item 1b (Attachment POL 2) – Establishing parameters for length and renewal of contracts of local presidents. Mr. Pearson stated both committees voted unanimously to recommend to the board the proposed rules be forwarded for the rule making process. Dr. Hunter stated for the record that this needs to be looked at further to prevent unintended consequences. He believes that the current statute would take care of what is needed.

Dr. Hunter asked if 1e (Attachment POL 2) was discussed. Mr. Pearson said that it was mentioned that staff will consult with community college stakeholders.

Dr. Willis asked if there is a requirement of how many years for the initial contract. Ms. Haygood stated there are no limits on the initial contract nor the renewal. Per conversation, the practice is four or less years for renewals. Dr. Hunter shared when a president is initially hired, the trustees can give whatever length contract they want to give, then the four or less year renewal would kick in afterwards.

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Mr. Twiddy made a motion, seconded by Mr. Irwin for staff to proceed with the rule making process to amend 1C SBCCC 200.94 Local College Personnel Policies. Motion passed unanimously.

NEW BUSINESS

Mr. Jenkins said that at the State Board meeting on March 3, 2017 the State Board directed staff to draft three approved items in bill form and submit them to the General Assembly. Chairman Shook asked staff to address concerns about G.S. 115D-19. Following a telephonic meeting with Southern Association of Colleges and Schools (SACS), staff was directed to revisit and amend the proposed bill to prevent potential harm on accreditation of colleges. Mr. Jenkins reviewed the changes (Attachment POL 6).

Ms. Whitford asked if the bill would require vacating the full board, or just certain members of the board. Mr. Jenkins said that after consultation with shareholders, the State Board would vacate the whole board and appoint an interim five-member board of trustees to serve no more than 12 months. The State Board would then begin working with local appointing authorities to appoint a new board.

President Williamson stated the goal would be for the State Board not to serve in the local capacity. The way the original language was written, the State Board would have local control whereas the new language only enables the State Board to remove the existing board and put in a minimum of five interim trustees at the college for up to 12 months. Discussed how interim members could be chosen and the parameters of re-appointment to the board by the local authorities. Chairman Shook said the goal is to put rules in place which could mitigate and help prevent major issues from arising. President Williamson stated the prior language included the use of a System Office staff member to go to the campus. SACS had issue with that occurring and that item is being removed as well.

Mr. Raye stated these laws and rules in place will help protect colleges moving forward.

Mr. Pearson reminded the committees that many of these actions can only occur after consultation with stakeholders. Chairman Shook shared it would also require two-thirds of the State Board.

Ms. Martin referenced the last sentence, "The State Board of Community Colleges shall adopt policies to implement this section." Will enable more details to be addressed through consultation.

Dr. Blackwell emphasized the authority given by these actions are only to be taken as an extraordinary remedy and to only be used in extreme circumstances.

Ms. Austin asked if the board feels that a legislative change that allows the State Board to dissolve a Board of Trustees is the only solution. Mr. Pearson stated it is not the only solution, the college could also be defunded or merged with another college which some board members felt was extreme. Ms.

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Austin stated in the three previous cases that have come to an extreme level, the threat of being defunded, merged, or close the school down would encourage the college to turn around. Ms. Estep shared she hopes that this legislation would never need to be used, but this would enable the State Board to act without impacting the students at that college. Ms. Austin asked that the board members not lose sight of the fact that action should have been taken earlier at Martin Community College when issues started happening at the college. Ms. Austin said that as far as she knows, the presidents and the trustees have not been consulted on these rules and laws and it would be beneficial for a meeting of stakeholders. Mr. Pearson stated that has been recommended and there is a plan to consult with the shareholders once the bills get filed.

President McInnis stated he appreciates the sense of urgency with the issues, but his focus is on the biennial budget.

Chairman Shook stated he agrees that there need to be conversations and he would be willing to speak with anyone. Chairman Shook shared he spoke with the Chair of the Trustees Association who stated that they would not discuss any of the issues until everything that has been proposed is off the table. Chairman Shook shared that the trustee chair stated the association would not support anything that requires any legislation. The State Board went through an extreme circumstance and chose to make changes. It seems that most people are upset that action was taken. The proposed changes have language stating that all stakeholders would have representation if an issue arises. Chairman Shook stated that he is open to talk, but it is difficult to have a discussion when other stakeholders are not willing.

Dr. Hunter stated he agrees with the statement that there is nothing proposed that is unreasonable, but there are a few holes. Where the problems began was the way the issues were brought forward. It was on the heels of a major problem with a local college. A lot of trustees have been around for a long time and they have memories of things that have occurred in the past where the State Board has taken advantage of it to expand their power into the local board. Another part of the concern is how fast this has moved. There was a meeting earlier this year to discuss and agree on legislative priorities and the recent proposed changes have taken all the air out of the room. The changes are seeming to take precedence over the effort to get the budget and legislative priorities passed. There is a feeling that this is being used for reasons other than setting groundwork to prevent future situations. The trustees, the presidents, the board, and the state office are a college family. The state office should be thanked for the work that they did to resolve the situation at Martin Community College. Everything is going well now at Martin Community College. There is some hard headedness going on and there may have been better ways for this to be brought forward. Getting these changes passed seems more important to some than the biennial budget.

Mr. Pearson shared these changes are important for a variety of reasons. The legislation that has been proposed is moderate and includes provisions to consult with stakeholders before actions are taken. It

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is more than a year before the issue could come back up if it is not addressed during the current session.

Chairman Shook said that he is willing to speak to anyone about the proposed legislation and recommend changes if needed.

Mr. McBrayer made a motion, seconded by Mr. Twiddy to adopt the amended proposed legislation System Governance Options - G.S. 115D-19. Motion passed unanimously by Policy Committee and Audit and Accountability Committee.

Dr. Blackwell requested a meeting be scheduled with the chairs of NCACCT, NCACCP, SBCC and the system president to discuss these items within the next week. Mr. Shook stated he would not have a problem getting something scheduled.

President Williamson stated that the proposed revised language has precedence from other college systems.

ADJOURNMENT

Representative Ford motioned to adjourn. The meeting was adjourned at 4:48 p.m. via voice vote.

Respectfully submitted,
Sondra Jarvis, Recording Secretary