

**Accountability and Audit Committee Minutes
State Board of Community Colleges
August 18, 2016**

Members Present:

Representative Jimmie Ford	Samuel Powell	Scott Shook
Breeden Blackwell	Darrell Saunders	
Lisa Estep*	Candler Willis	

*attended via telephone

System Office Staff and Others:

Jennifer Haygood	Bryan Jenkins
Elizabeth Self	Dr. Lawrence Rouse, President of James Sprunt CC

CALL TO ORDER

Representative Jimmie Ford called the meeting to order at 3:06 p.m. in the AW North Conference Room of the Caswell Building.

ETHICS AWARENESS AND IDENTIFICATION OF CONFLICTS OF INTEREST

Representative Jimmie Ford read the Ethics Awareness and Conflict of Interest Statement and asked if there were any known conflicts. None were noted.

APPROVAL OF THE AGENDA

Representative Ford requested a motion to approve the August 18, 2016 meeting agenda. Dr. Powell moved to approve, Dr. Willis seconded, and the committee approved the agenda without change.

APPROVAL OF THE MINUTES

Representative Ford requested a motion to approve the March 17, 2016 minutes. Dr. Saunders moved to approve, Dr. Willis seconded, and the minutes were approved by the committee as presented.

FOR INFORMATION

Compliance Services Update (Discussion)

Mr. Jenkins gave a brief update on Compliance Services. Mr. Greg Isley is a consultant working with Mr. Jenkins to update the sampling methodology used in compliance reviews. The project should be complete in the next few weeks.

One of the results of the Program Audit Study Committee meetings was an agreement to adopt rules governing the compliance function. Mr. Jenkins presented a draft of said rules and discussed them at length with the committee.

Compliance Services Annual Report FY 2016 (Attachment AUD 1)

Mr. Jenkins reviewed Compliance Services Annual Report with the Committee. Mr. Jenkins discussed the challenges faced by Compliance Services i.e. staff turnover, late passing of the

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budget, etc. The team completed 26 reviews during FY 2015-16. Six colleges had no material findings and no coaching letter, 17 colleges had no material findings with a coaching letter, 1 college had a minimal material finding, and 2 colleges had material findings. Mr. Jenkins explained the purpose of coaching letters. Dr. Powell asked about cost savings for the college. Mr. Jenkins and Ms. Haygood stated any cost savings would be hard to quantify.

EAGLE Update (Attachment AUD 2)

Mr. Jenkins provided an update about EAGLE. According to Mr. Jenkins, the EAGLE program was finalized earlier this year than in years past. The certification was provided to the Office of the State Controller on July 5, 2016. Work will begin soon on the FY 2016-17 EAGLE program.

North Carolina Community College System FY 2016 Financial Audit (Attachment AUD 3)

Mr. Jenkins reviewed the letter from the State Auditor's office to arrange the financial audit at the North Carolina Community College System for the fiscal year ending June 30, 2016.

College Financial Audit Findings 5 Year Summary (Attachment AUD 4)

Mr. Jenkins noted there were 33 financial audits completed for the year ending June 30, 2015. Ten financial audits were completed by an outside CPA firms. Seven colleges, 21%, had findings. Colleges are required to have a financial audit performed once every 2 years. Brunswick CC is waiting on the final audited financials for FY 2014-15 to be released. Mr. Jenkins stated the average cost of audits this year was approximately \$37,000 and the average number hours to complete each audit was approximately 350.

College Financial Audit Findings Detail Report FY 2014-15 (Attachment AUD 5)

Mr. Jenkins reviewed the audit findings in detail with the committee. Seven colleges had findings; Asheville-Buncombe Technical CC, Cleveland CC, James Sprunt CC, Martin CC, Mitchell CC, Piedmont CC, and South Piedmont CC.

Chairman Shook expressed concern over the Martin CC findings. The controls over cash finding was especially concerning according to Chairman Shook. He further stated the audit findings are indicative of an ongoing pattern at Martin CC leading him to question if further inquiry is warranted in hopes of helping the college. Ms. Estep commented about her concern that a few colleges have had findings in consecutive audits. Ms. Estep, Chairman Shook and Dr. Blackwell each discussed the fiduciary duty of the State Board and the need to address concerns surrounding audit findings.

North Carolina Community Colleges Foundation FY 2014-15 Financial Audit (Attachment AUD 6)

Mr. Jenkins reviewed the Foundation financial audit conducted by Thomas, Judy & Tucker, P.A. (TJT). Mr. Jenkins stated the Foundation is in strong financial shape and discussed the assets, including investments, along with the revenue and expenses with the committee. Also, Mr. Jenkins discussed the Statement of Cash Flows in detail.

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North Carolina Community College System Statewide Federal Compliance Audit Procedures Report FY 2014-15 (Attachment AUD 7)

Mr. Jenkins reviewed the FY 2014-15 Federal Compliance Audit Procedure Report with the committee. No issues were uncovered during the audit and no findings were issued in the report.

College Statewide Federal Compliance Audit Procedures Detail Report FY 2014-15 (Attachment AUD 8)

Mr. Jenkins reviewed the detailed findings of the FY 2014-15 Federal Compliance Audit Procedures Reports for the individual colleges. Three colleges had findings and Mr. Jenkins discussed each with the committee. Also, Mr. Jenkins and Ms. Haygood stated steps are being taken to assist the colleges in order to reduce/eliminate findings to include a training session at the upcoming ACCBO Conference. The Committee voiced its approval of the measures being taken to assist colleges.

Quality Assurance Review (Discussion)

Mr. Jenkins updated the committee on the upcoming Quality Assurance Review. The Internal Audit Department is required to undergo a review once every 5 years. The System Office review is underway and an onsite visit from the Office of Internal Audit is scheduled for November, 2016.

FOR ACTION

Internal Audit Charter (Attachment AUD 9)

Mr. Jenkins presented the Internal Audit Charter for consideration by the Committee. Mr. Jenkins explained the purpose of the Charter and offered a brief history. Mr. Jenkins provided details for each section. Following a motion by Dr. Powell and a second by Dr. Saunders, the item was approved via voice vote.

System Office Internal Audit Plan FY 2017 (Attachment AUD 9)

Mr. Jenkins presented the FY 2016-17 Internal Audit Plan to the Committee for consideration. Mr. Jenkins discussed the plan and projects listed. Dr. Blackwell moved for approval, seconded by Dr. Saunders. The Committee approved via voice vote.

Old Business

New Business/Adjournment

Representative Ford called for additional business to be discussed and hearing none, asked for a motion to adjourn. Dr. Saunders so moved, a second was made by Dr. Willis, and the committee approved to adjourn the meeting at 4:09 p.m.

Respectfully submitted,
Bryan Jenkins, Recording Secretary