

MINUTES
State Board of Community Colleges
ACCOUNTABILITY AND AUDIT COMMITTEE
Thursday, May 18, 2017 – 3:00 p.m.

ACCOUNTABILITY AND AUDIT COMMITTEE MEMBERS PRESENT:

Jimmie Ford, Chair
Breedon Blackwell
Lisa Estep
Samuel Powell

Darrell Saunders
Scott Shook
Ann Whitford
Candler Willis

**Other Members in
Attendance:**
Jim Rose

Members absent: Jerry Vaughan

OTHERS IN ATTENDANCE:

Jimmie Williamson
Jennifer Haygood
Elizabeth Grovenstein
Maureen Little

Chreatha Alston
Sondra Jarvis
Bryan Jenkins
Shanté Martin

Libby Self
Mary Shuping
Dale McInnis (Richmond CC)
Linda Suggs (Gates Fnd)

WELCOME AND ETHICS STATEMENT

Representative Ford called the Accountability and Audit Committee meeting to order at 3:07 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. None were noted.

ROLL CALL

Bryan Jenkins took the roll of the Accountability and Audit Committee members.

APPROVAL OF THE AGENDA

Representative Ford requested a motion to approve the May 18, 2017 meeting agenda. Dr. Powell moved to approve, Ms. Estep seconded, and the committee approved the agenda without change.

APPROVAL OF THE MINUTES

Representative Ford requested a motion to approve the April 20, 2017 joint Accountability and Audit and Policy minutes. Ms. Estep 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 stated that the FY 2015 audits are complete since Brunswick Community College audit was finalized. Findings will be discussed in AUD 2

- 34 audits completed
- 8 with findings – 24%

Now we can turn attention to 2016

MINUTES
State Board of Community Colleges
ACCOUNTABILITY AND AUDIT COMMITTEE
Thursday, May 18, 2017 – 3:00 p.m.

College Financial Audits with Findings – FY 2014-2015 (Attachment AUD 2)

Mr. Jenkins shared the Brunswick Community College audit for FY 2014-15. Mr. Jenkins discussed the findings

Mr. Jenkins called attention to the Fixed Assets section.

Management's Response and Corrective Action Plan: Management has consistently been following a depreciation calculation templates since fiscal year 2008-2009; however, beginning with fiscal year 2015-2016, this method of extending useful lives and recalculating depreciation will cease. The College will continue to evaluate the appropriateness of the estimated useful lives of depreciable assets.

Mr. Jenkins stated staff is hoping to determine where the templates came from and why the college is using templates from 2008 – 2009.

Ms. Estep asked why the audit is so late. Mr. Jenkins stated the auditor, Cherry Bekaert, was delayed in getting it to the college. Ms. Estep would like Mr. Jenkins to follow up about the timing of the report. Mr. Jenkins shared he stressed importance of the timeliness with the CFO.

Quality Assurance Review Final Report (Attachment AUD 3)

Mr. Jenkins shared that Quality Assurance Review report. Mr. Jenkins stated the QAR is an audit of the internal audit function for the System Office. The agency received a generally conforms rating. The report included seven observations and five process improvement recommendations. Many of the issues noted were due to a lack of resources in the office.

The reviewer, Ms. Barbara Baldwin, shared concerns about the number of duties for which Mr. Jenkins is responsible. Senior staff is discussing organizational changes which would enable Mr. Jenkins focus more on internal audit work.

Some of the initial changes being implemented:

- Senior staff have developed a new position that will be focused solely on internal audit.
- Foundation duties will be moved to the new Public Relations and Foundation Affairs person once hired.

The auditor will do a scaled down report next year to verify that changes are being implemented.

Ms. Estep asked if the staffing moves will take care of the concerns that Ms. Baldwin had. Mr. Jenkins stated the organizational changes will enable him to focus on audits/reviews. When Ms. Baldwin returns in a year, she should be satisfied with the Foundation being reassigned and the new internal audit position being filled.

MINUTES
State Board of Community Colleges
ACCOUNTABILITY AND AUDIT COMMITTEE
Thursday, May 18, 2017 – 3:00 p.m.

Compliance Services Interim Report – FY 2016-17 (Attachment AUD 4)

Ms. Self reviewed the Compliance Services Interim Report:

- On schedule to complete 34 reviews this fiscal year with four reviewers.
- Currently 5 clean reports with no letters
- 12 clean with coaching letters. Coaching letters give the college recommendations on potential risk areas. Four of the coaching letters were training reviews (two new examiners this year).
- There were 4 reviews with material findings, but none that required reversions of funding.
- 7 reviews are in progress of finalizing.
- 6 reviews still need to be done.
- The team reviews are for the bigger colleges or if there needs to be assistance for training.

Ms. Estep asked Ms. Self what the compliance examiners are looking for in the compliance reviews.

Ms. Self stated reviews verify that the class hours are reported correctly to receive state funds.

Ms. Self shared that training for college staff has been conducted for four colleges and at five conferences. Two new Compliance Examiners and a new Information and Research Assistant have been hired and trained. The Compliance Services team communicates with System Office staff about updates and changes to the process and promotes conversations to ensure agreement and gain clarity.

Staff development at the colleges includes a review of the college recommendations or findings and assures college staff understands the reasons for the findings. This process helps compliance staff understand the college's perception and develop better communication. Currently, staff development is only done when requested, but starting FY 2017-18, Ms. Self will schedule time to visit and speak to the college once they receive the coaching letter. Ms. Haygood shared the colleges are very welcoming to the assistance.

Compliance Services Update (Attachment AUD 5)

Ms. Haygood reviewed the history of the Compliance Services:

- General Assembly passed the 2013 Appropriations Act and repealed G.S. 115D-d(m) effective July 1, 2015. Recurring funds were eliminated and replaced with non-recurring funds for the Audit Services team. The Program Audit Study Committee was formed.
- The purpose of the Program Audit Study Committee:
 - Minimize administrative burden on institutions
 - Seek input from community colleges and study problems associated with the program audit function and possible resolutions.
 - Report the results of the study and make recommendations to the Joint Legislative Education Oversight Committee by January 1, 2015.
- 2015 Appropriations Act restored recurring funds, amended G.S. 115D to incorporate statutory changes recommended by the Program Audit Study Committee.
- The changes have enabled the system to:

MINUTES
State Board of Community Colleges
ACCOUNTABILITY AND AUDIT COMMITTEE
Thursday, May 18, 2017 – 3:00 p.m.

- Have a revised accountability system that promotes credibility in the System's formula budget requests.
- Ensure fair allocation of State resources among the 58 institutions.
- Supports the System Office and colleges working in partnership.
- Core Principals – Integrity, Fairness, and Consistency
- Initial Changes:
 - New name and new approach
 - Organizational Changes
 - Compliance reviews on site
 - Compliance reviews bi-annual unless there are findings
 - Communication and coaching on documentation expectations
- Changes to State Board CC Code are ongoing to clarify expectations and rules.
- Staff is working with an external consultant to update the sampling methodology which should make for a smoother review process.
- Change to process for reviewing records. This is being addressed in conjunction with the implementation of the new ERP system.
- There will be a Review Advisory Committee. Ms. Haygood reviewed the purpose of the committee. The goal is to have diverse roles and each person would be appointed for three years.

Both Ms. Austin and President Rouse commented that the compliance process is much improved

NEW BUSINESS

ADJOURNMENT

Dr. Willis motioned to adjourn, seconded by Dr. Powell. The meeting was adjourned at 3:51 p.m. via voice vote.

Respectfully submitted,
Sondra Jarvis