

MINUTES
Accountability and Audit Committee
State Board of Community Colleges
November 17, 2016

ACCOUNTABILITY AND AUDIT COMMITTEE MEMBERS PRESENT:

| | | |
|---------------------------|------------------|----------------|
| Jimmie Ford, Chair | Samuel Powell | Scott Shook |
| Jerry Vaughan, Vice-Chair | Lynn Raye | Candler Willis |
| Lisa Estep | Darrell Saunders | |

Absent: Breeden Blackwell

OTHERS IN ATTENDANCE:

| | | |
|-----------------------|---------------------------|------------------------|
| Jennifer Haygood | Bryan Jenkins | Lyn Austin (NCACCT) |
| Elizabeth Grovenstein | Sondra Jarvis | Donny Hunter (NCACCT) |
| Mary Shuping | Linda Suggs (Gates Fndn.) | Julie Woodson (NCACCT) |
| Shanté Martin | | |

WELCOME AND ETHICS STATEMENT: The meeting was moved from the AW North Conference Room to the Dr. W. Dallas Herring State Board Room due to space limitations. Representative Ford called the meeting to order at 3:05 p.m. in the Dr. W. Dallas Herring State Board Room. Chairman Shook 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 November 17, 2016 meeting agenda. Mr. Vaughan 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 October 20, 2016 minutes. Dr. Saunders moved to approve, Mr. Shook seconded, and the minutes were approved by the committee as presented.

FOR INFORMATION

Report on Martin Community College (Attachment AUD 1)

Mr. Jenkins said the task force completed its work and is submitting a report based on the information from the visit on September 29-30, 2016.

Areas of concern.

- Human Resources
- Fiscal Management
- Management
- Governance

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Human Resources:

Upon a request made by the Task Force, the college provided information about 16 key leadership positions. Mr. Jenkins reviewed the statistics and concerns about many of these key positions being held by interim, part time, or extra duties staff. The perception during the interviews was the college lacked strong leadership and direction.

Fiscal Management:

Mr. Jenkins reviewed concerns that the Task Force encountered with annual expenditures. Based on interviews, there was unmet staffing, equipment, and capital needs during those years.

Mr. Vaughan asked if the money carried over at the end of the fiscal year. Ms. Haygood stated the unspent funds reverted back to the state. Ms. Haygood stated Martin CC was a distinct outlier and had the lowest expenditure rate. Chairman Shook asked about FTE at Martin CC over the past few years.

In FY2015-16, the System Office became concerned about the rate of expenditure by Martin CC. Martin CC had expended approximately 74% of its State budget through January 30, 2016 and could be at risk of not being able to meet the obligations for the year. Ms. Haygood addressed the issue with President Britt in February 2016. Ms. Haygood stated the majority of the expenditures were in the equipment line item.

Dr. Willis stated since income and FTE are down, Martin CC could be running a cash flow deficit while trying to recover. This would cause the community to lose confidence in the college. It will take time for the college rebuild, can that happen fast enough to satisfy the bills. Ms. Haygood said that the high expenditure was due to equipment purchase and so they should not run out of money if they stick to their budget.

Ms. Estep shared there are infrastructure needs on the horizon that need to be dealt with soon.

Chairman Shook stated the money was given to that college to serve the community college and the surrounding community. He stated the college not spending its allotted funding is a problem. Martin CC's service area is an area of the state which needs a fully functioning community college.

Ms. Estep stated that there has not been a permanent registrar for a few years.

Ms. Haygood shared that the FTE in 2011-12 was 1,066 and the current year is 887. That is a 16.8% decline since their peak enrollment. It is a larger decline than system wide, but it isn't the largest decline.

Mr. Vaughan asked if the president is not doing the job. Dr. Saunders said based on conversations last month, the president of Martin CC micromanages. Ms. Estep said that the leadership problem also is

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because the board is not being informed and decisions are being made by a very small part of the board.

Mr. Jenkins shared another concern about funds allocated to Martin CC for salary increases have not been dispersed. Ms. Haygood reviewed the payroll concerns and the ramifications. The Martin CC Board of Trustees was not aware of salary or bonus approval in the 2016-17 budget. The CFO has worked with the board to assure a plan is being put in place to disperse those funds.

Governance

Based a review of the bylaws done by Mr. Jenkins and Ms. Martin, issues have been raised. One of the issues is the Executive Committee has been making decisions without ratification from the full board, which the bylaws support. Ms. Martin stated the way the bylaws are written circumvents the statute. Mr. Shook shared he attended the Board of Trustees meeting in June 2016. The election of the Chair, Vice-Chair, and second Vice-Chair was held with the outgoing board.

Management

Mr. Jenkins told the committee the management section could be removed due to it being based on information from the interviews and not quantifiable documentation. Interviewees were concerned about repercussions, so they were asked not to be quoted. Mr. Jenkins reviewed the concerns from the interviewees. Ms. Estep stated it is important to her we keep the management piece in because it shows what was discovered by the interviews.

The committee agreed that the information with Management be included.

Mr. Jenkins said that Mr. Rick Cowan from Martin CC BOT is here. Chairman Ford welcomed and allowed Mr. Cowan to address the committee.

Mr. Cowan addressed the Committee and discussed the challenges facing the Board of Trustees and college.

Mr. Vaughan stated there needs to be action.

Ms. Estep said that the problems are more wide ranging than the task force was able to uncover in a few days

Chairman Shook stated he is concerned due to performance issues and Martin CC is not upholding the standards set by the system.

Mr. Vaughan asked Mr. Cowan what the board can do to help. Mr. Cowan stated the review has helped uncover issues.

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Chairman Shook stated the man goal is to make the college successful.

Chairman Shook made a motion for the Report on Martin Community College (AUD 1) to include the Management Section. Dr. Willis seconded the motion. The motion passed via voice vote.

Mr. Raye made a motion to go into closed session pursuant to North Carolina General Statute sections 143-318.11(a)(1) and 143-318.11 (a)(6) which was seconded by Chairman Shook. The motion was approved via voice vote.

Recess from 4:17 p.m. till 4:24 p.m. for Legislative Affairs Committee. The Accountability and Audit Committee reconvened via a motion by Chairman Shook seconded by Mr. Raye and moved immediately into closed session.

Dr. Saunders made a motion to move back into open session. Ms. Estep seconded the motion which was approved via voice vote.

The Committee approved the following

Based on the concerns listed in the report, the Accountability and Audit Committee finds Martin Community College has been unable to maintain prescribed standards of administration and asks the State Board of Community Colleges to give the Martin Community College Board of Trustees until December 16, 2016 to provide a corrective action plan acceptable to the State Board of Community Colleges or funds will be withheld pursuant to § 115D-6.

NEW BUSINESS

ADJOURNMENT

Representative Ford, asked for a motion to adjourn and the committee approved to adjourn the meeting at 5:19 p.m. via voice vote.

Respectfully submitted,
Sondra Jarvis, Recording Secretary