

Sound Fiscal and Management Practices

**NC Association of Community
College Trustees Law Seminar**

April 4, 2019

1A SBCCC 200.4 Sound Fiscal and Management Practices

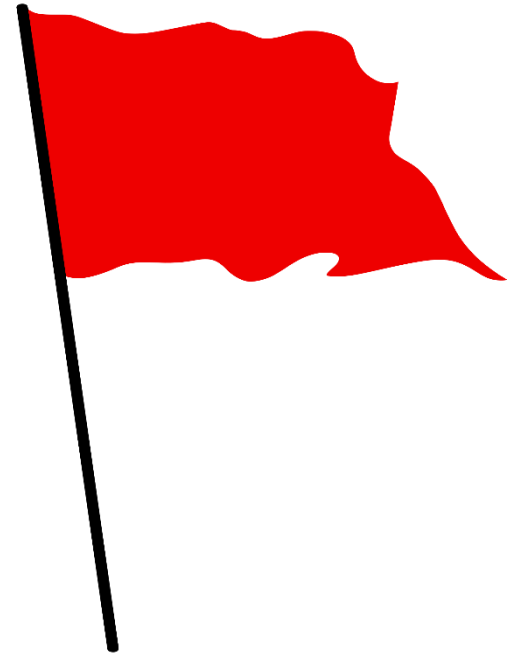


Today's Objectives:

- Why was this policy adopted?
- Why should you care about it?
- What should your board be doing?

Purpose of Policy

- To highlight potential “red flags”
 - Do not need to jump to conclusions
 - Do need to ask questions and feel comfortable with the answers
- “Trust, but verify”



1A SBCCC 200.4(a)(1)

- **Expending funds prudently and consistently with the approved budget.**
 - **G.S. 115D-56: Trustees shall approve the budget annually (typically early fall)**
 - **G.S. 115D-58: Amendment to the budget**
 - **Colleges have a fair amount of flexibility to modify the budget**
 - **Have you authorized your president to make budget transfers?**
 - **If so, are they being reported to you and your next regularly scheduled meeting?**

1A SBCCC 200.4(a)(2)

- **Unexpended current operating budget**
 - Generally, unexpended balance should not exceed 5% or 5x the system-wide percentage, whichever is higher.
 - System Office monitors this amount for State funds
 - If this figure is not shared with you at your next meeting after June 30, ask!

1A SBCCC 200.4(a)(3)

- Ensuring that institutional fund accounts do not have a negative balance at the end of the fiscal year unless such an instance exists for a planned reason
 - The System Office does not have “visibility” into college’s institutional funds.
 - If there is a negative balance:
 - Is the reason known?
 - Is it just a timing issue or something more?
 - What is the plan for resolving the deficit and under what timeframe?

1A SBCCC 200.4(a)(4)

- **Tracking expenditures consistent with the North Carolina Community College System's Chart of Accounts**
 - **Ensure you have a local policy in place**

1A SBCCC 200.4(a)(5)

- **Providing financial reports to the local boards of trustees at intervals determined by the local board of trustees**
 - **Is this interval stated in your local policies?**
 - **Since the college's State budget is directly impacted by enrollment, do you know how your college's enrollment has changed over the past year? Over the past 5 years?**

1A SBCCC 200.4(a)(6)

- **Maintaining a system of internal controls**
 - Mechanisms, rules, and procedures implemented to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.
 - Examples: separation of duties, access controls
- **G.S. 143D-7 requires colleges to evaluate and certify its internal controls annually to the State Controller**
 - Colleges with internal control audit findings must complete EAGLE, the State's evaluation program
 - OSC communicates to both college and System Office if this is not completed
 - Certification requires signature of both President and CFO

1A SBCCC 200.4(a)(7)

- **Banks accounts are not overdrawn and routinely reconciled**
 - **A plan to resolve any reconciliation discrepancies must be identified within 30 business days from the end of the prior month**
 - **System Office monitors State funds, but cannot tell if your local/institutional bank accounts are being reconciled**
 - **College must inform the trustees if it fails to comply with this requirement more than once during fiscal year**

1A SBCCC 200.4(a)(8)

- **Submitting complete and accurate financial statements to the North Carolina Office of the State Controller by the prescribed deadline**
 - **System Office is notified of past-due colleges**
 - **Do you know if your college submitted on time?**

1A SBCCC 200.4(a)(9)

- **Ensuring that required financial audits are conducted**
 - **G.S. 115D-20(9) requires annual audit of any private, nonprofit corporation established to support the college (i.e. your college foundation)**
 - **This audit MUST be shared with the college trustees.**
 - **G.S. 115D-58.16 requires audit of college at least once every two years**
 - **State Board may require an annual financial audit if the college has two consecutive financial audits with findings.**
 - **State Board is required to track these audits**

1A SBCCC 200.4(a)(10)

- **Addressing any findings identified in audits, compliance reviews, SACSCOC reviews, or other monitoring reviews.**
 - **Does your college require a plan for addressing findings?**
 - **If you decide no action on a finding is appropriate, recommend that you document the rationale in your minutes**

1A SBCCC 200.4(a)(11) and (12)

- The college is actively seeking to fill leadership and other supervisory positions in a timely manner with individuals of high competence.
- Monitoring staff turnover by providing an employee vacancy report for information to the local board of trustees at least biannually.
 - Turnover is not necessarily bad, but can be a red flag if it is unplanned and excessive.

What if We Drop the Ball?

- Focus on the FIX
 - The State Board is less likely to get involved if the local board is engaged and working to fix an issue
- Communicate, communicate, communicate
 - Board of trustees has the responsibility to govern the college, but the System Office will proactively communicate if we see a potential red flag
 - We want to work together through any issues

Student Success

Goal: Promote sound administration so that we can keep our focus on students



Sound Fiscal and Management Practices

An ounce of prevention is worth a pound of cure