



CMI

BOARD OF REGENTS

College of the Marshall Islands

Accredited by the Western Association of Schools and Colleges

P.O. Box 1258
Uluga Campus

Tel: (692) 625-3394/3291/4931
Fax: (692) 625-7203
Email: bor.regents@cmi.edu

Special Board of Regents Minutes - Approved January 31, 2022

Members Present

Chairperson Kathryn Relang
Regent Kino Kabua
Regent Salome Andrike

Regent Helmer Lang
Regent Marie Maddison
Regent Stiffney Paul

Regent Julius Lucky
Student Regent Christian E. Nipp

Member Absent/Excused

Regent Ione deBrum

Vice-Chair Harden Lelet

Regent Cutty Wase

CMI employees in attendance:

Dr. Irene Taafaki, CMI President

William Reiher, Executive Vice President

Stevenson Kotton, Vice President for Administrative and Business Affairs

Dr. Elizabeth Switaj, Vice President for Academic and Student Affairs

Stanley Lorennij, Vice President for Land Grant

Business Office Staff

Kelly Sebastian, Executive Officer/Executive Secretary for the CMI Board of Regents (ESBOR)

The meeting was called to order @ 11:11 AM

Agenda Items

1. Roll call and call to order
2. 2020 Audit
3. 2021 Audit
4. Upcoming Conference Meeting
 - 4.1. ACCT meeting with Pacific Trustees and Presidents - June 15-22
5. BOR requests for future items and information
6. Other Information

Minutes

1. ROLL CALL AND CALL TO ORDER

Chair Relang called the meeting to order at 11:11 am.

2. 2020 AUDIT



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- 2.1. The Chair informed the Board that she, the CMI President, and VPBAA met with the Minister of Finance (on Tuesday, January 18) regarding the late completion of the CMI 2020 audit. It was an opportunity for the Minister to voice his concerns and ask questions. CMI was able to answer the questions and share the strategies being put in place to avoid the challenges from repeating.
- 2.2. VPBAA presented the Board with the current progress of the 2020 Audit as well as the preparation of the FY2021 Trial Balances for the 2021 audit fieldwork.
 - 2.2.1. There are two components of the audit: Financial and Compliance.
 - 2.2.2. In terms of the Financial, Chris (Supervising Auditor based in Deloitte's Guam office) is reviewing this component and we are awaiting feedback. Once the feedback is received VPBAA will prepare a Management and Analysis Letter in response to the report provided from their office as part of the audit fieldwork.
 - 2.2.3. The CMI Financial report has been unqualified for the past few years - an 8 or 9-year trend.
 - 2.2.4. Based on the most recent findings and discussions with the auditors, the 2020 audit is most likely to be a 'qualified audit' in terms of compliance. This is due to issues described in Minutes 2.5 and 2.6. below.
 - 2.2.4.1. The Institution has no control over what the Auditors will look into and what they want to assess or inspect in terms of our federal programs.
 - 2.2.4.2. The auditors have provided additional inquiries to our team so that they can provide more information. The team's turnaround response time so far with the compliance inquiries is within 24hrs.
- 2.3. After the Pell Grant review is completed, the auditors will move into the final major CMI grant which is the COVID-19. The same process that was done for Pell Grant will also be the same audit assessment done for COVID-19; however, this will be the first time the auditors are looking at the COVID money. This can go two ways, either fast or slow. The team is ready and strategies are in place to speed up the process.
- 2.4. VPBAA expressed confidence that we will be able to submit our Audit on the due date, February 28, 2022.
- 2.5. Some of the findings identified dated back to FY2006. The auditors required clarifications and understanding of these general ledgers for them to draw their conclusions, especially on the College's, reporting on its fixed assets.
 - 2.5.1. CMI's fixed assets register as of now is still manual, based in Excel.
 - 2.5.2. Some of the issues uncovered date back to 2006. Unfortunately, the booking of a \$1.7 million is incorrect entry at that time was incorrect and at this stage of the 2020 Audit, this cannot be adjusted.
 - 2.5.3. Those reported \$1.7million that were booked to Capital Assets were supposed to be booked as a direct expenditure instead of Capital Assets.
 - 2.5.4. In the past, CMI paid for the relocation of a few residential homes located within CMI's campus prior to CMI completing its Master Plan. The relocation of these homes and demolition of old buildings was around \$1.7million.



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- 2.5.5. The error made in 2006 was that the transactions were booked as capitalized assets or part of the Fixed Asset Register instead of direct expenditures so they needed to be corrected. This mistake or misposting of transactions constitutes an overstatement of our capital assets on our Financial Statement (Balance Sheet).
- 2.5.6. VPBAA has informed the auditors that CMI will accept it for the FY2020 audit but the \$1.7 million in the incorrect entry will be properly adjusted in the FY2021 audit.
- 2.5.7. With all the challenges and findings the College encountered during this audit fieldwork, the College has developed strategies to resolve these challenges to avoid repeated findings moving into FY2021 audit fieldworks.
- 2.6. The other issue was raised in the management, implementation, and correct closure of the College's Project Grants.
 - 2.6.1. The rule for financial reports on Federal Grant is that the awardee (CMI) must report how much money was spent and how much cash (revenue) was received and they are to be booked timely and correctly with zero errors (due to Grantors (payable) or due to CMI (receivable)).
 - 2.6.2. The easiest part of Grant is applying for it and the hardest part is the management, implementation, and monitoring of Federal Grant funds.
- 2.7. On the fixed assets (Facilities) is the first time finding. It's a material concern because it's over 1 million.
 - 2.7.1. The VPBAA reported that CMI is accepting the fact that CMI neglected its fiduciary role in terms of monitoring the assets carefully in the past and accepts that it is going to be a finding and make the necessary corrections.
- 2.8. However, moving into the 2021 audit, VPBAA has discussed with VPASA ideas towards developing strategies for CMI to make sure the FY2021 audit has no repeated findings. This is critical as CMI is preparing to complete the follow-up report to ACCJC. The goal is to ensure that when the follow-up report is finalized, there will be zero repeated findings.
- 2.9. The Federal Grant (SEFA system) is a major concern and a repeated finding (dated back prior to the 2006-current). One of the problems with this finding is that most of these grants we cannot locate the documents. The College has now come to the last resort to resolving these problematic grants. Through the Office of the President, CMI will request assistance from the grantees to help resolve the issues surrounding the problematic grants.
 - 2.9.1.1. If we receive timely communication from the grantors, CMI will work with the auditors and write them off or close by making the appropriate adjustments to properly close out these grants).
 - 2.9.1.2. To ensure the College does not have repeated issues:
 - 1. The College has recruited newly graduated Marshallese to fill the positions of Assistant Internal Auditor (Attok Nashon),



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- Assistant Grants Manager (Maria Jetton), and Junior Accountant for Account Reconciliations (Keoni Murphy), and
2. The Executive Council has approved a Grants Manual, with conditions and processes which must be followed.
- 2.9.2. During FY2021, the College will try to resolve these findings easily since CMI already understands the issues and the solutions to resolve the issues that have been identified. For example, improving document management has already taken place which will be a key in the FY21 audit fieldwork.
 - 2.9.3. Another issue to be resolved is CMI's revenue collection and the timing of collecting reimbursable expenditures from the grantors. For example, AHEC (Grant).
 1. Grantors: 30,000 is not for this current fiscal year, for 2020.
 2. The system shows due from grantors 54,197 (AHEC grant) as receivable. The portion of the \$54,197 which is roughly around \$30K was collected in FY21, a month after the year was closed.
 - 2.9.3.2. The team continues to work closely with the grantors and the respected departments to ensure that we collect the receivable in a timely manner.
 - 2.9.3.3. Since this has been raised as a concern by the auditors, they will look at it again, whether we made any corrective action plan as we promised in the next audit.
- 2.10. Chair Relang suggested that the grants people use their CMI email and cc an email/system that VPBAA and President would have access to.
 - 2.10.1. The person(s) who manages those grants did not keep, maintain, or hand over the documents to the Business Office when they left the college.
 - 2.10.2. There are 29 identified problematic grants (Federal Grants and other Grants).
 - 2.10.3. The other issue in the past was wrong booking.
- 2.11. Chair Relang asked if the findings shared are things that we can address and make sure they're not repeated. CMI needs to ensure work on that automated system is prioritized and FABS must make sure we undertake our checks and balances constantly. The Federal Grants must enforce the management policy and responsibilities.
- 2.12. VPBAA assured that checks and balances will be done on a daily basis when we process any request, in terms of doing reports once the transactions are posted anyone can run the report.
- 2.13. The SIS is a first-time finding (2020), we already have strategies and solutions for this through the adoption of the Jenzabar SIS in 2022.
- 2.14. It was noted that this year just 1 or 2 auditors were assigned to CMI. 19% of the issue is documentation.
- 2.15. We're working closely with the auditors to develop a schedule for the 2021 audit and have asked if they have people locally on-island or not, also trying to see if they can include the Guam and CNMI people who understand CMI's books.



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- 2.16. It was noted that now all files are available online, through the efilecabinet system.
- 2.17. Chair Relang drew attention to the fact that CMI's trial balance submission has been late, with FY2021 already behind. CMI is going to need to work hard so that we're timely with the 2021 audit, so we can break the domino effect and put a lot of effort into completing a timely 2021 audit, so we can be well prepared for the next audit.
- 2.18. In response, VPBAA reiterated that based on these experiences everything has been moved online to minimize risks. With respect to the delayed 5 trial balances, this was prepared on time but is currently waiting for the final audited figures from 2020 to make sure it is correctly balanced to our opening balance for 2021.
- 2.19. If the figures don't match our opening balance for 2021, then we'll run into another issue in 2021.
- 2.20. The SLT wants to get the 2021 audit done on time because they really want to bring back the confidence in how CMI manages its finances.
- 2.21. The President added that the assistant Internal Auditor, is working on efficiency and compliance issues, It is also recognized that the CARES funding or Higher Education Relief funding, while a great advantage and opportunity for students and the institution, is also an additional burden to the college in terms of careful management and disbursement.
 - 2.21.1. When the first allocation of CARES funding became available, no one knew there would be follow-up funding, and for that reason, no additional staff was hired to assist with the financial management.
 - 2.21.2. CMI has now hired a person to manage the funds.
- 2.22. The goal for the 2021 audit is to make sure that when we submit the report to ACCJC is close as possible to being clean.

3. 2021 AUDIT

- 3.1. The work to prepare the 2021 trial balance is reported as done, but CMI is waiting for the final figures from the FY2020 final audit so that the proper adjustments can be made to have the correct opening balance for FY2021.
- 3.2. VPBAA reported positively to the Board of Regents with respect to learning from the audit process over the past two years:
 - 3.2.1. to avoid repeated findings system changes have been implemented, and
 - 3.2.2. individual team members CMI have improved their level of skills when working through these challenges.
- 3.3. As soon as we have the final numbers we will be reconciling them to the FY2021 opening balances as well as reconciling the other two trial balances (Endowment and Land Grant Funds).
- 3.4. Chair Relang requested the team can provide weekly updates to the board until we know that we are now ready for the fieldwork of 2021. We want to make sure that we're in the clear and that we're doing our best to respond to previous years' issues and findings and that we're not repeating them in the coming years.



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- 3.5. Regent Kabua proposed these issues and corrective measures have been taken down into a memorandum that future staff can refer to.

4. UPCOMING CONFERENCE MEETING

- 4.1. ACCT meeting with Pacific Trustees and Presidents - June 15-22
4.1.1. There will be several of the Board who will attend this. Chair Relang suggested including finance management and investment on this agenda.

5. OTHER INFORMATION

- 5.1. Regent Wase has resigned from his position as a Board. We're looking for his replacement, if you have anyone that has a legal background, have until 3pm today. Chair Relang will email Minister Kitlang.
5.2. The draft of the Finance Wapepe can be presented in March.
5.3. Santo Center opening will be on February 28 (ABE and vocational programs) and a signing ceremony of the agreement for the hospital site.
5.4. The college has been working with NTC on securing a consultant to develop 2 programs for the Maritime center, with which the contract has been signed.

6. BOR REQUESTS FOR FUTURE ITEMS AND INFORMATION

Meeting adjourned @ 12:55 PM

Scribe

Kelly Luce Sebastian,
Recording Secretary

Reviewed & Approved by

Harden Lelet
Vice-Chair, Board of Regents

March 18, 2012

Date approved