



CMI

BOARD OF REGENTS

College of the Marshall Islands

Accredited by the Western Association of Schools and Colleges

P.O. Box 1258
Uliga Campus

Tel: (692) 625-3394/3291/4931

Fax: (692) 625-7203

Email: bor.regents@cmi.edu

Special Board of Regents Minutes - Approved July 15, 2024

Members Present

Chairperson Kathryn Relang
Regent Marie Maddison
Regent Kino Kabua

Vice-Chair Julius Lucky
Regent Joe Lomae
Regent Salome Andrike

Regent Benjamin Wakefield
Regent Jelton Anjain
Student Regent Wilmer Joel

Member Absent/Excused

Regent Nimata Nakamura

Melet Jatios

CMI employees in attendance:

Dr. Elizabeth Switaj, Interim President

Stevenson Kotton, Vice President for Administrative and Business Affairs

Hatty Kabua, Grant Coordinator

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

The meeting was called to order @ 9:58 AM

Agenda Items

1. Opening prayer & Roll call and call to order
2. Report and Recommendations/Approvals/Action
 - 2.1. Draft Audit and Corrective Action Plans
3. BOR request for future items and information

Minutes

1. OPENING PRAYER, ROLL CALL, AND CALL TO ORDER

Chair Relang commenced the BOR meeting with a moment of silence, followed by officially calling the meeting to order at 9:58 AM.

2. REPORT AND RECOMMENDATIONS/APPROVALS

Interim President Switaj reported that the draft of the 2021 audit was received last week after a long period.

- To complete the audit, management's response to the findings and a plan to address the identified gaps must be presented.
- VPBAA Kotton will provide the details.



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VPBAA Kotton referred Regents to the board folder to review the Draft Fiscal Year 2021 Audit Corrective Action Plans and welcomed questions.

- These plans need to be submitted to the external auditors to complete the 2021 audit.
- There are 16 findings, an increase of 6 compared to the FY20 audit, with a total of \$454,000 in questioned costs for lack of documentation.
- VPBAA Kotton explained that many corrective actions were implemented during the 2021 audit, but findings were noted because these actions started late.

- 2.1. VPBAA Kotton reported on finding number one, which concerns the schedule of expenditures of federal awards (SEFA).
 - 2.1.1. This has been corrected, but its accuracy will be confirmed during the 2022 audit.
 - 2.1.2. All findings stem from federal grants, and finding number one has been resolved.
- 2.2. VPBAA Kotton reported on finding number two, Timely Financial Reporting, highlighting it as a significant challenge due to the college's inability to conduct regular reconciliations.
 - 2.2.1. Recently, training was provided to all departments on monthly reconciliation to address this issue, and further training will continue for department heads.
- 2.3. VPBAA Kotton reported finding number three, receivable, detailed in the audit report on page 37.
 - 2.3.1. Conditions and reasons for the issue were provided.
 - 2.3.2. An Asana project was created to outline and clear findings before the 2022 audit.
 - 2.3.3. Conditions were assigned to the respective team.
 - 2.3.4. The deadline for resolving all challenges and corrective actions is July 27, 2024, in preparation for the budget hearing.
 - 2.3.5. All issues will be reported and reviewed by that time to clear all questioned costs by the completion of the 2022 audit.
- 2.4. VPBAA Kotton reported on finding number four, capital assets. Capital asset additions totaling \$227,953 were not depreciated during the year due to a formula error in the capital asset report. This issue has been corrected.
 - 2.4.1. VPBAA Kotton has taken over the fixed asset register to ensure accurate depreciation calculations for 2022 and is now closely analyzing and managing this process personally.
- 2.5. VPBAA Kotton reported on finding number five, allowable costs/cost principle:
 - 2.5.1. Total questioned cost: \$4,597.
 - 2.5.2. The College failed to provide documents to the external auditor in a timely manner.
 - 2.5.3. Documents were located after the deadline, so CMI missed the submission.
 - 2.5.4. All documents were eventually found but were not available during the audit fieldwork.



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- 2.6. VPBAA Kotton reported that finding number six, equipment and real property management, is the same as finding number four because it concerns capital assets and the fixed asset report.
 - 2.6.1. There were many discrepancies in the fixed asset report. Federal grants require a fixed asset report with sources of funding, which is why the auditors raised this finding.
- 2.7. VPBAA Kotton reported on finding number seven, period of performance:
 - 2.7.1. Expenditures were incurred after the period had closed.
 - 2.7.2. The business office is double-checking and analyzing the auditors' findings.
 - 2.7.3. Efforts are focused on analyzing accrual adjustments and providing supporting documents to clear this questioned cost.
 - 2.7.4. If needed, we will work with the Ministry of Finance, as they are the granters.
 - 2.7.5. Any incorrect findings will be addressed in the 2022 audit.
- 2.8. VPBAA Kotton reported on finding number eight, procurement and suspension and debarment:
 - 2.8.1. Procurement for two items lacked appropriate methodology, with missing quotations and supporting documents for travel.
 - 2.8.2. The team is working to locate and attach travel documents to Microix as required.
 - 2.8.3. Missing files during the audit led to findings.
 - 2.8.4. Items one through seven lacked vendor quotations; items eight through ten had issues with the bidding process and insufficient supporting documents.
 - 2.8.5. The total questioned cost is \$68,090 due to inadequate documentation of procurement processes.
- 2.9. VPBAA Kotton reported on finding number nine, reporting:
 - 2.9.1. A significant challenge with SG1 and SG2 reports.
 - 2.9.2. The Ministry of Finance requires detailed reports on reimbursements and subsidies, leading to frequent line item adjustments and discrepancies between quarters.
 - 2.9.3. Discrepancies and lack of reconciliation noted by auditors.
 - 2.9.4. Efforts are ongoing to reconcile reports and obtain a memo from the Ministry of Finance for quarters 1 through 4 of 2022 to confirm the agreement, aiming to address these issues in the 2022 audit.
- 2.10. VPBAA Kotton reported on finding number ten, allowable costs/cost principles compliance review:
 - 2.10.1. Items 1 through 8: Employees were paid higher rates without proof or revised contracts; contracts were found after four months but were past the due date. Documents are being uploaded into the Document Management System.
 - 2.10.2. Items 8 through 12: No approved timesheets were found, similar to issues with Upward Bound (UB). Corrections and training are being provided to ensure compliance.
 - 2.10.3. Items 13 through 16: Discrepancies in credit pay based on employee contracts and credits; additional documents were discovered too late, resulting in a questioned cost of \$7,018.



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- 2.11. VPBAA Kotton reported on finding number eleven, eligibility:
 - 2.11.1. Upward Bound must adhere strictly to eligibility requirements.
 - 2.11.2. Missing documents (e.g., passports, grades) were identified during the audit.
 - 2.11.3. Efforts are underway to collect and review these documents.
 - 2.11.4. VPBAA Kotton and Hatty are working with UB staff to ensure all required documents are provided.
 - 2.11.5. Staff training is being provided to improve filing and compliance.
- 2.12. VPBAA Kotton reported on finding number twelve, special tests and provisions related to minimizing duplication of services under TS and UB programs.
 - 2.12.1. Currently, CMI's Upward Bound program is the only TRIO program in the Republic of the Marshall Islands.
 - 2.12.2. To address the need for formal documentation of non-duplication, the college will add a question to the Upward Bound application form asking if the student is participating in any other TRIO programs.
- 2.13. VPBAA Kotton reported on finding number thirteen, activities allowed or unallowed:
 - 2.13.1. Total questioned cost: \$45,752.
 - 2.13.2. VPBAA Kotton disagrees with the finding and plans to resolve it directly with the DOE.
 - 2.13.3. The issue stems from using CARES funds to cover college expenses due to reduced revenue in 2021, which the DOE may not fully recognize as allowable.
 - 2.13.4. Procurement documents were missing during the audit but are now being addressed.
 - 2.13.5. An Asana project is being used to collect and submit all necessary documents to resolve the questioned costs.
 - 2.13.6. If unresolved, CMI could face a potential \$400,000 return to grantors.
 - 2.13.7. Currently, 82-90% of documents are recovered.
 - 2.13.8. VPBAA Kotton reported:
 - 2.13.8.1. There are two issues: the finding and the questioned cost.
 - 2.13.8.2. Efforts are focused on clearing the questioned cost, but it's also crucial to address the finding by resolving document issues.
 - 2.13.8.3. To address this, two days of training were provided to ensure proper use of the systems.
- 2.14. VPBAA Kotton reported on finding number fourteen, allowable costs/cost principles, with a total questioned cost of \$109,757:
 - 2.14.1. The issue is similar to finding thirteen, involving discrepancies in faculty credit load awards.
 - 2.14.2. Supporting documents were missing, and efforts are ongoing with department chairs and deans to locate them.
 - 2.14.3. The Board has approved a faculty workload policy that accounts for both classroom credits and administrative roles.
 - 2.14.4. The policy requires a spreadsheet detailing additional credits beyond classroom teaching, which was not found during the audit.
- 2.15. VPBAA Kotton reported on finding number fifteen, procurement and suspension and debarment:



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- 2.15.1. Total questioned cost: \$192,795.
- 2.15.2. Issue: Missing supporting documents to substantiate the procurement processes and demonstrate compliance with local and federal requirements.
- 2.15.3. Affects both conditions one and two.
- 2.16. VPBAA Kotton reported on finding number sixteen, reporting of sales fund:
 - 2.16.1. Issue: Discrepancies in the system and online reporting for CARES funds.
 - 2.16.2. Note: This is a reporting issue with no questioned costs.
 - 2.16.3. For the Board's information: This may also affect the 2022 audit.

VPBAA Kotton will draft a memo for the grantors to accompany the documents to address the questioned costs.

- The grantors will review the documents and schedule a conference call to discuss each finding in detail.
- The grantors primarily trust the auditors, so the review will involve EY, MJ, and the grantors.
- Following the review and conference call, the grantors will provide feedback.
- VPBAA Kotton confirmed that clearing a similar volume of questioned costs has been done before without incurring additional costs.
 - The process involves providing supporting documents.

VPBAA Kotton noted that this is the first time some of these systems have been audited.

- The systems are continually evolving and changing.

On the draft FY 2021 audit on page 30, you will see that the financial statement is unqualified and for compliance for major federal awards is qualified.

Audit Finalization and Material Weaknesses in 2021 Audit::

- Once the audit is finalized, the Board will need to review specific material weaknesses.
- VPBAA Kotton will provide a detailed report on these issues.
- Material weaknesses indicate insufficient internal controls and potential for fraud.
- There are four material weaknesses identified in the 2021 audit requiring focused attention.
 - Specific deficiencies in internal control are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 through 2021-004, considered to be material weaknesses.
 - Material Weakness 2021-002 Explanation:
 - VPBAA Kotton explained why 2021-002 is a material weakness.
 - If bank reconciliations are delayed by six months, potential issues like embezzlement might only be discovered much later. For instance, if \$250,000 was embezzled, the delay would mean a significant time lag in detecting the fraud.
 - This delay poses a risk, making it crucial to conduct bank reconciliations monthly to quickly identify and address any discrepancies.

Interim President Switaj Report on Accreditation Concerns:

- Interim President Switaj addressed whether the findings would affect the college's accreditation.



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- She clarified that these issues pertain specifically to federal grant programs and are viewed separately by the Accrediting Commission for Community and Junior Colleges (ACCJC).
- According to ACCJC's policies, they do not dictate actions based on external regulations. Therefore, these findings would not directly impact the college's accreditation status.

Changes Implemented to Address Findings:

- Monthly meetings have been established with all grant managers to ensure they are effectively managing their grants.
- A monthly budget managers meeting is held to address various challenges, including audit-related issues.
- The college is focused on resolving the repeated findings from 2021 to avoid recurrence in the 2022 audit.
- It was emphasized that repeated findings and unresolved questioned costs reflect poorly on the institution's commitment to the corrective action plan.

FY 2021 Audit Submission and FY 2022 Preparation:

- The FY 2021 audit will need to be uploaded to the Federal Grant websites and the clearinghouse this month.
- This submission is necessary to allow the start of work on the FY 2022 audit.
- The goal is to begin the FY 2022 audit next month.
- The engagement letter for FY 2022 has already been signed.

Chair Relang mentioned that the regular board meeting is scheduled towards the end of August.

- A separate meeting may be called before this regular meeting to discuss the material weaknesses in more detail.

Interim President Switaj reported that there are differences in language expectations between the college's discussions and external perceptions, including those of politicians.

- Regent Maddison expressed concern about how politicians might interpret the audit findings and the college's responses.
- VPBAA Kotton mentioned that the upcoming budget committee meeting will address these issues, as the audit report is a part of the budget submission.
- Chair Relang mentioned the need to be prepared for any inquiries and to have responses ready.
 - Questioned the distribution of responsibility among the team for addressing the findings, particularly noting VPBAA Kotton's role.
- Recruitment of FABS Director:
 - Interim President Switaj and VPBAA Kotton reported that two rounds of interviews have been conducted without success.
 - A third review of candidates, both local and off-island, also did not yield suitable candidates.

VPBAA Kotton's report and acknowledged that the challenges with the audit largely stem from not fully utilizing the systems in place.

- Emphasized that proper job execution would simplify the process.



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- Chair Relang highlighted the importance of filling the vacant position to oversee the business operations, noting that it should not be VPBAA Kotton's responsibility alone. Stressed that the current situation is unsustainable.
- VPBAA Kotton mentioned that they have engaged a consultant from the Philippines, currently an auditor, to assist with the audit and financial analysis.
 - The consultant is working remotely and collaborating with VPBAA Kotton and the business office to analyze and adjust entries between FY 2021 and FY 2022.
 - If the consultant proves effective, they may consider recruiting her full-time.

VPBAA Kotton highlighted that the two major challenges are bank reconciliation and documentation.

Regent Kabua inquired about the internal audit process and the policy regarding the frequency of internal audits.

- Chair Relang's response stated that there is no specific policy on the timing of internal audits. The schedule is based on the work plan developed between the internal auditor and the President. The previous plan aimed to audit at least three departments per year (HR, ACS, Student Services), but only one and a half departments were audited.
- Interim President Switaj reported the progress with the assistant auditor continuing the internal audit work.
 - Challenges include additional paperwork requirements from the Philippines for the selected internal auditor candidate.
 - The schedule developed was intended to address these challenges.
 - The assistant auditor has completed the audit of Auxiliary and Commercial Services.
- Chair Relang emphasized that the internal auditor should stay updated with findings from the external audit and suggested that the internal auditor follow up on these findings and ensure the use of systems to avoid repeating issues.

Regent Andrike suggested and proposed conducting monthly audits for grants to ensure compliance with procurement processes and proper documentation filing in the system.

Chair Relang reported that following the internal auditors' departmental audits, an action plan will be generated to ensure adherence to policies and procedures. The goal is to improve systems and address issues effectively. The internal audit's findings are intended to enhance systems and overall work quality.

- VPBAA Kotton reported that the best scenario for any audit involves reviewing previous audit challenges.
 - This information should be communicated from the President's Office and the Board to the Internal Audit Office.
 - The Board should review and approve the scope of the internal audit.
 - It is crucial to define what is expected from the audit, beyond just document verification.
 - VPBAA Kotton recommended that the internal audit provide a clear scope of work.
 - The Board and the President's Office need to review and approve this scope to ensure clarity and cooperation.



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- Having an approved scope will ensure that everyone is aligned on expectations and that the audit is conducted effectively.

Interim President Switaj's report on the ongoing discussions with the assistant internal auditor reveals that the level of cooperation varies by department.

- Some departments actively seek assistance from the internal auditor, which is positive.
- Other departments are more hesitant but still cooperate.
- This hesitation is partly due to the natural nervousness of having their work reviewed, even if done to the best of their abilities.

Regent Kabua inquired about the perception of the community, government, and partners regarding the college's handling of audit findings and corrective actions.

- Suggested the potential benefit of sharing updates on the college's actions to address audit findings.
- Proposed issuing regular press releases to highlight the positive steps being taken, without delving into too much detail, to keep stakeholders informed.
- Stressed the importance of communicating with the PAC committee.
- Suggested providing updates on the steps taken to address audit findings and preparations for FY 2022, noting that sharing this information may currently be lacking.
- Chair Relang's Stated and agreed on the need to keep PAC informed about the audit status.
 - Noted uncertainty about whether any communication had occurred with PAC since the hearing.
 - Highlighted the communication challenges due to EY also sharing information, complicating the reporting from their side.
 - Mentioned that they had conveyed to the PAC chairman the intent to provide an update but acknowledged that this had not been done since the hearing.
- VPBAA Kotton's reported and confirmed that there has been no communication with PAC.
 - Stated that copies of the audit report would be provided to PAC as soon as the audit is completed.
- Interim President Switaj stated and emphasized the importance of finalizing the corrective action plan and audit report.
 - Suggested that once these are finalized, the FY 2021 audit, along with the final provision, should be sent to PAC.

VPBAA Kotton reported that the auditors reviewed three major programs: CARES, Compact, and UB for FY 2021.

- For FY 2022, they will add a fourth major program.
- In FY 2023, they will include the Pell Grant.
 - Two consultants, who are financial aid directors from California, were hired to work with financial aid, student services, and business offices.
 - They conducted pre-audits for the Pell Grant for 2021, 2022, and are currently working on 2023.
 - The consultants were hired due to concerns that the DOE might audit and require a 100% review of records.



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Regent Lomae shared that he met with the PAC Chairman, who expressed a desire to have a closed-door meeting with the CMI Board for an update.

- Chair Relang agreed and we await the PAC meeting invitation.
- VPBAA Kotton clarified that an audit report can be unqualified for financial statements and compliance but still have material weaknesses.
 - An unqualified report means the auditors were able to conduct their work, but it does not imply a clean bill of health.
 - Material weaknesses are critical and indicate areas needing significant improvement.

Chair Relang requested a draft letter providing a brief update on the current status, including nearing the closure of FY 2021, responding to findings, having a corrective action plan in place, and preparing for FY 2022.

- This letter is to be submitted to the Chairman of PAC.

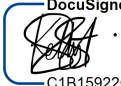
Chair Relang mentioned that if there is a need to call another meeting to finalize FY 2021, they will inform everyone.

Chair Relang also welcomed the new Student Regent, Wilmer Joel, to his first board meeting and asked the other Regents to introduce themselves.

- Chair Relang then invited Student Regent Joel to introduce himself.

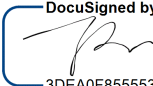
3. BOR REQUESTS FOR FUTURE ITEMS AND INFORMATION

Meeting adjourned @ 10:58 AM

DocuSigned by:

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Scribe

Kelly Luce Sebastian,
Recording Secretary

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Reviewed & Approved by

Kathryn Relang,
Chair, Board of Regents

September 2, 2024

Date Approved