



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 September 16, 2024

Members Present

Chairperson Kathryn Relang
Regent Salome Andrike
Regent Marie Maddison

Vice Chair Julius Lucky
Regent Joe Lomae
Regent Kino Kabua

Regent Benjamin Wakefield
Regent Jelton Anjain
Student Regent Proxy Louis Kibin

Member Absent/Excused

Regent Melet Jatios

Regent Nimata Nakamura

CMI employees in attendance:

Dr. Elizabeth Switaj, Interim President
Stevenson Kotton, Vice President for Administrative and Business Affairs
Dr. Adedayo Ogunmokun, Vice President for Land Grant
Kelly Sebastian, Executive Officer/Executive Secretary for the CMI Board of Regents (ESBOR)

The meeting was called to order @ 9:17 AM

Agenda Items

1. Opening prayer & Roll call and call to order
2. Approval of the Agenda
3. Report and Recommendations/Approvals/Action
 - 3.1. Purchasing and Accounts Payable Policy & Resolution
 - 3.2. FY2021 Audit Corrective Action Plan Progress Report
 - 3.3. Report to Chairman (PAC) Memo
 - 3.4. Budget for FY25 (Budget Portfolio) & Resolution
4. Matters for information
 - 4.1. Internal control continuous improvements
 - 4.1.1. Procurement Procedures - CMI Bidding Procedures
 - 4.1.2. Accounting Procedures - Prepayments, TAs & POs
 - 4.1.3. Procedures (Checklist) - Prepayments, TAs & POs
5. BOR request for future items and information
6. Executive Session

Minutes

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



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Chair Relang requested that Regent Maddison chair the special meeting, which would address deferred financial and audit-related items, including amendments from the fiscal year 2021 audit findings, as well as a request memo from the chairman of PAC.

Chair Regent Maddison commenced the BOR special meeting with a moment of silence and officially called the meeting to order at 9:17 AM.

2. APPROVAL OF THE AGENDA

Regent Lomae made a motion to approve the Board's Agenda. Vice Chair Lucky seconded the motion. The motion was unanimously approved.

3. REPORT AND RECOMMENDATIONS/APPROVALS

3.1. Purchasing and Accounts Payable Policy & Resolution

- 3.1.1. The Interim President reported that this item, presented at two prior board meetings, outlines a major policy change dividing purchases into Micro, Small, and Large categories, each with specific rules and guidelines on the number of quotes required, and the ongoing discussion revolves around the appropriate threshold for each category.
- 3.1.2. VPBAA Kotton reported that procedures have been developed to better implement and enforce the policy currently under consideration.
- 3.1.3. Regent Andrike agreed with Chair Regent Maddison's request to review the different tiers of the policy before proceeding with the vote.
- 3.1.4. VPBAA Kotton presented the different tiers of the policy to the Board and entertained any questions.
- 3.1.5. Interim President Switaj reported that the policy has always included these expectations, stressing the importance of focusing on implementation and training rather than the policy itself, and ensuring that budget managers and requesters are properly trained through regular sessions.
- 3.1.6. VPBAA Kotton reported that one of the items to be shared with the board is the procedure for establishing the bidding committee, including its members and the conduct of their business.
 - 3.1.6.1. VPBAA Kotton reported that we have our own system but also collaborate with the PMU.
- 3.1.7. VPBAA Kotton reported that the 2021 audit findings were due to improper use of the financial system and inadequate staff training, as documents were saved in incorrect locations, leading to missed filings; retraining has been conducted to address these issues and improve system utilization.
- 3.1.8. Chair Relang inquired about adjusting the threshold for small purchases, questioning whether \$3,500 is too high given recent concerns about potential manipulation and whether it should be lowered; she also requested clarification on monitoring the splitting of quotations and discussed the need for the Board to address the continued listing of the Executive Vice President in the procurement process.



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- 3.1.8.1. VPBAA Kotton emphasized that preventing manipulation in procurement requests is less about the dollar amount and more about proper team training, spot checks, and rigorous documentation. He noted that effective training, regular internal control tests, and adherence to federal guidelines are crucial, and highlighted that compliance is the responsibility of everyone involved in the process.
- 3.1.8.2. Chair Relang commented that ensuring monthly reconciliation will help catch and address issues early before they become significant problems.
- 3.1.8.3. VPBAA Kotton reported that a major operational change requires all departments responsible for processing eReq or POs to also reconcile their POs monthly, with any unclosed POs or TAs resulting in a hold on future requests until reconciled. This shift aims to prevent the bottleneck previously caused by centralizing reconciliation in the business office and is supported by user-friendly accounting systems. Training has been provided to key staff on these new procedures.
- 3.1.8.4. Interim President Switaj reported that while the increased responsibility for monthly reconciliation may seem substantial in the aggregate, it is manageable for individual departments and has benefits such as better budget understanding and ease of program review, ultimately making departments more proficient in managing their funds.
- 3.1.9. VPBAA Kotton reported that the SOPs are informed by lessons from recent audit findings and best practices, aimed at complementing updated accounting and college-wide systems.
 - 3.1.9.1. The SOPs address both decentralization of reconciliation and procurement processes, including a pilot project in IT and Media to ease the procurement office's workload, allowing it to focus more on managing CMI's supplies, equipment, and assets, especially given past issues with the Asset Register.
- 3.1.10. VPBAA Kotton presented the new Accounting procedures, which include detailed, step-by-step guidelines for closing POs, prepayments, and TAs, designed to improve clarity and efficiency.
 - 3.1.10.1. These procedures, introduced as a result of the 2021 audit findings, aim to streamline the reconciliation process and ensure all tasks are performed correctly and promptly.
 - 3.1.10.2. VPBAA Kotton reported that some vendors, such as K&K, Payless, and others, require checks as a payment method rather than POs.
- 3.1.11. VPBAA Kotton reported that insufficient detail in record-keeping and high turnover in the business office and key areas have been major challenges.
 - 3.1.11.1. To address this, detailed guidelines were created to serve as a self-training tool for staff, allowing them to understand the system more easily without needing additional explanation.
- 3.1.12. VPBAA Kotton reported that the biggest challenge in the audit was the documentation. This year in February or March the decentralizing of the monthly reconciliations was done.



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- 3.1.13. Regent Lomae emphasized the importance of having the right personnel for the job and suggested establishing a plan for regular training to ensure staff are properly trained and reconciliations are up to date.

Vice Chair Lucky moved to approve the purchasing and accounts payable policy resolution. Regent Kabua seconded the motion. The motion was approved.

3.2. FY2021 Audit Corrective Action Plan Progress Report

- 3.2.1. VPBAA Kotton reported that Board members can review the FY 2021 audit findings and ask questions via the Asana project for timely responses from responsible team members.
- 3.2.1.1. All findings from 2020 and earlier have been resolved, with 2021 having unresolved questioned costs, mostly repeated from prior years.
- 3.2.2. Regent Lomae reported that the audit has been submitted to parliament, which will be calling a public hearing based on the submission, and an invitation will be extended to all those who did not submit their audit.
- 3.2.3. Chair Regent Maddison shared that auditing is a significant issue in the RMI, as financial management isn't part of the education system.
- 3.2.3.1. The need for ethical conduct, budgeting skills, and proper training was emphasized, noting that training should be built into the knowledge system, targeting both new and current staff, with special attention to issues highlighted in audits.
- 3.2.3.2. The high mobility of employees, including those in the Auditor General's office, was also raised as a concern.
- 3.2.3.3. The growing complexity of accounts and grants necessitates addressing these issues, and it was suggested that these concerns be included in the letter to underscore the seriousness of the matter.
- 3.2.4. Regent Kabua expressed that while the college management is addressing audit findings, the board also bears fiduciary responsibilities.
- 3.2.4.1. She stressed the importance of attending fiduciary training to understand audit reports and improve oversight, without overstepping into management.
- 3.2.4.2. She acknowledged the board's role in not addressing recurring audit findings as effectively as it could have in the past.
- 3.2.5. Vice Chair Lucky shared that through the ESSP and NTC project, three free courses—Accounting, HR, and IT—were made available at USP, with IT already underway, and the impact will be monitored to assess how this knowledge benefits their work, potentially serving as a training model to address job mobility issues mentioned by Chair Regent Maddison.
- 3.2.6. VPBAA Kotton reported that training under ESSP and NTC should be contextualized to the local context, particularly with understanding how the trial balance is created and how data moves within it, as generic training often leads to reliance on consultants without building staff capacity, which is why CMI has tailored its training to its own books.



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- 3.2.6.1. Regent Kabua inquired why the graduate school doesn't include topics on reconciliation in their curriculum.
- 3.2.7. Vice Chair Lucky suggested looking into the Auditor's Office to provide training based on audits, focusing on key areas where the RMI needs capacity, particularly in auditing or specific financial management.
 - 3.2.7.1. Regent Kabua mentioned that both she and Vice Chair Lucky can bring up the audit and training discussion during the SOD meeting.
 - 3.2.7.2. Chair Relang emphasized the need for monitoring the application of skills learned from training and workshops by having supervisors ensure that employees apply their new knowledge, suggesting that the board might need to receive regular reconciliation reports or quarterly updates to verify that reconciliations are being performed and to address issues affecting audits.
 - 3.2.7.3. Interim President Switaj reported that the effectiveness of training often depends on the supervisor-employee relationship; post-training reports with supervisor sign-off are required for significant expenses, though not always applicable. Reconciliation updates have been regularly provided in recent board meetings as part of the President's and senior leadership team's reports.
 - 3.2.7.4. Regent Wakefield shared that, based on his experience with the National Energy Office (NEO), unsuitable training requests are denied, and for approved training, the returning trainee is required to present their learnings to the staff, which could be a beneficial approach for CMI as well.
- 3.3. Report to Chairman (PAC) Memo
 - 3.3.1. Regent Kabua shared that a letter to the Chairman of the Public Accounts Committee should be prepared by Chair Relang, outlining all key steps taken to address the audit findings, including background on why the findings occurred and any additional actions being implemented.
 - 3.3.2. Chair Relang brought to the Board's attention a request from the PAC Chairman for a closed-door meeting with the Board, Senior Leadership Team (SLT), Staff and Faculty, and SGA, which may be related to the audit, although other matters may also be on the table; she was uncertain if the letter under review should be submitted or brought along to the meeting.
 - 3.3.2.1. Regent Kabua suggested submitting the letter for committee review to address potential questions, noting concerns raised at the JEMFAC meeting about late audits affecting grant receipts and considering the Ministry of Finance's plan to consolidate smaller offices under CMI to streamline audits and improve timeliness.
 - 3.3.3. Interim President Switaj reported that additional documentation was provided to the auditors after their second review, but communication on the timeframe has been lacking, leading to frustration among local staff.



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- 3.3.4. VPBAA Kotton reported that the 2022 trial balances are being reviewed by a second firm to ensure accuracy before the 2022 audit fieldwork begins, which will commence only after the 2021 audit is finalized. The engagement letter for the 2022 audit has been signed, and preparations are underway, with cooperation from MJ.
- 3.3.5. Regent Kabua requested that the letter be amended to include a more comprehensive and friendly tone, acknowledging the college's past challenges and shortcomings while highlighting broader efforts and improvements.
 - 3.3.5.1. She also suggested providing regular updates to the Chairman of PAC to rebuild confidence and share key progress.
 - 3.3.5.2. Regent Kabua noted the shortfall in IMF allocations and expressed concern over the potential budget impact, stating that CMI's funding should not be reduced without proper dialogue and consideration.
- 3.3.6. Chair Relang shared that in the last meeting, the board discussed reviving the Jilel newsletter to communicate with the public. She emphasized that once the new president joins, their priority should be improving the college's internal and external relationships, including a board session with senior leadership to develop a work plan. Regarding the current letter, she suggested making it friendlier. Chair Relang recommended monthly reports until the audits are complete, to be shared not only with PAC but also with the Minister, ensuring he is well-prepared for Cabinet and Nitijela meetings.
 - 3.3.6.1. VPBAA Kotton reported that this is the first of its kind, as the college has not had a draft audit. In public hearing forums, they expressed that Interim President Switaj and VPBAA Kotton were disregarded by the Budget Committee or PAC due to the absence of an audit report.
 - VPBAA Kotton clarified that no letter was received from the Speaker or PAC Chairman, contrary to claims, and this was communicated to the Minister. Additionally, Finance staff only provided the chart of accounts and did not assist in correcting the college's books.
- 3.3.7. Regent Lomac emphasized the need for timely updates to the committee chairman and the board, even if reports are incomplete, to ensure accountability and good communication throughout the process.
- 3.3.8. Chair Regent Maddison suggested increasing interaction with the Minister and proposed arranging a tour of the college.
 - 3.3.8.1. Regent Andrike recommended monthly meetings to improve communication and prevent confrontational situations, and mentioned that the PAC Chairman expressed interest in meeting with CMI's board and management, advising that he contact Chair Kathryn Relang.
 - 3.3.8.2. Interim President Switaj reported that the Minister is already very aware of the situation.
- 3.3.9. VPBAA Kotton reported concerns about the upcoming meeting with the board, management, staff, faculty, and students regarding the audit. She noted that some outspoken members of the CMI community might complicate the discussion,



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particularly if they have grievances against the Senior Leadership Team (SLT), which could negatively affect the meeting's progress.

- 3.3.9.1. VPBAA Kotton reported that during the first PAC meeting with CMI, the committee unexpectedly questioned students about their dissatisfaction with management, which surprised the college leadership.
- 3.3.10. Interim President Switaj reported that some employees might misunderstand the purpose of discussions and use them to air personal grievances, but in a past PAC meeting, students and faculty handled themselves professionally despite the committee's attempt to elicit complaints.
- 3.3.11. Chair Relang commented that the situation seems to be more personal than professional, which is a significant concern.
 - 3.3.11.1. She emphasized that personal issues are overshadowing the institution's priorities and suggested that renewing relationships would help improve collaboration, while acknowledging the challenges personal matters can create in clouding the work being done.
- 3.3.12. Interim President Switaj suggested that since the hearings are broadcast and people can discern personal matters, it may be helpful to reach out individually to other committee members, aside from those with personal biases, to discuss the college's progress and solutions, in order to foster a more balanced dialogue.
 - 3.3.12.1. Regent Kabua volunteered to speak with her former Minister and Senator, mentioning that she has a connection with them and will talk with them before the upcoming closed-door meeting.

Chair Relang will send the letter to the PAC Chairman.

- 3.4. Budget for FY25 (Budget Portfolio) & Resolution
 - 3.4.1. VPBAA Kotton inquired if the board members had reviewed the budget and suggested sending a snapshot of the entire budget for approval on Wednesday.
 - 3.4.2. VPBAA Kotton noted that two important components for this fiscal year are work-study (student jobs at \$7.25) and FSEOG (scholarships), which were previously under SEG but have returned to the original compact terms after the second compact ended.

The suggestion to defer the Budget for FY25 (Budget Portfolio) & Resolution for discussion in a special meeting was unanimously approved.

4. MATTERS FOR INFORMATION

- 4.1. As part of continuous improvements to internal controls, VPBAA Kotton reported on efforts to enhance the booking process, including a deeper focus on debit and credit allocations and monthly reconciliations. These improvements, which are operational in nature, have been integrated into CMI's guidelines, and ongoing team training is being provided to support day-to-day work.
 - 4.1.1. Procurement Procedures - CMI Bidding Procedures
 - 4.1.2. Accounting Procedures - Prepayments, TAs & POs



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- 4.1.3. Procedures (Checklist) - Prepayments, TAs & POs
- 4.2. Regent Kabua suggested including a reference to the relevant overarching policy within the procedures to demonstrate the connection to larger policies.
 - 4.2.1. Regent Lomae commented that any documents submitted to the Board should clearly indicate whether they are amendments to existing documents or intended for record-keeping purposes.
- 4.3. Chair Relang inquired about the bidding committee's establishment, specifically regarding conflict disclosure and the process if a conflict arises, questioning who would chair if the VPBAA has a conflict.
 - 4.3.1. VPBAA Kotton confirmed that a conflict of interest declaration form is standard practice at CMI and can be added to the document if needed. He clarified that those declaring a conflict will not participate in the review process, with the chair being designated accordingly.
 - 4.3.2. Chair Relang recommended including this in the document for clarity and detailing actions in the event of a conflict, highlighting the importance of transparency in the bidding committee's decision-making.
- 4.4. Regent Wakefield suggested adding provisions for disciplinary actions if individuals do not adhere to the established process steps.
 - 4.4.1. Interim President Switaj confirmed that the disciplinary process for non-compliance is outlined in the human resources manual and applies to all expected duties.

5. BOR REQUESTS FOR FUTURE ITEMS AND INFORMATION

6. EXECUTIVE SESSION

Meeting adjourned @ 12:06 PM

Scribe

Kelly Luce Sebastian,
Recording Secretary

Reviewed & Approved by

Julius Lucky,
Acting Chair, Board of Regents

December 2, 2024

Date Approved