Massachusetts Bay Community College Board of Trustees
Minutes of the February 17, 2015 Finance, Compliance, Personnel & Audit Committee meeting – Wellesley Hills Campus

Committee members present: Tom Peisch, Sylvia Beville, Ken Der, and Dan Juliani
Board member present: Pam Richardson

Staff members present: John O'Donnell, President; Eileen Gerenz, Controller; Kathleen Kirleis, Vice President for Finance & Administrative Services; Francesca Purcell, Provost and Chief Academic Officer; Yves Salomon-Fernandez, Vice President for Strategic Planning, Institutional Effectiveness and Grants Development; Steve Sullivan, Vice President for Enrollment Management and Student Services; and Vivian Ortiz, Executive Assistant to the President

Guest present: Brendan McGuinness, O'Connor & Drew

Call to Order and Approval of Prior Meeting Minutes – Tom Peisch called the meeting to order at 5:00 p.m. After introductions, Vice Chair Peisch asked for the review of the January 20, 2015 meeting minutes (Item 1).

Vice Chair Peisch suggested a change to the wording on page 3 in the section related to the December 2014 accreditation visit of the Surgical Technology program.

MOTION: Vice Chair Peisch suggested a motion to “excise” a sentence (page 3, eighth paragraph) in the minutes of the January 20, 2015 committee meeting minutes. The following is the amended sentence: “There was discussion of the trustees’ evaluation of programs being a part of their fiduciary duty.” Chair Richardson made the motion, Trustee Beville seconded and the motion passed unanimously.

Discussion took place about moving along with the dashboard. The suggestion was made to have the dashboard presented to the Board in four months.

Vice Chair Peisch asked for clarification of discussions that took place during the December meeting.

MOTION: Trustee Beville made the motion to accept the minutes as amended and Trustee Juliani seconded. The motion passed unanimously.

Audit Items
FY14 A-133 Audit Report (Item 2) – Brendan McGuinness from O'Connor & Drew reviewed the report. The A-133 audits the federal funds received by the College. MassBay received an unmodified opinion with the following four findings:

Finding 1 – Reporting of Student Status Changes to the National Student Loan Data Systems (NSLDS)

This is a repeat finding, for the third year in a row. Out of a sample of 35 students with changes, 31 of the changes were not reported in a timely manner and 24 of the 31 were never reported. These instances have increased significantly over the previous years. The NSLDS, the third-party clearinghouse used by the College to forward the information to the federal Department of Education (DoE), had a systems error during the spring semester last year and this could account for the increase. This error affected other institutions as
well. Ultimately, it is the College’s responsibility to comply with the requirement. Mr. McGuinness, further stated that many of their clients struggle with this compliance requirement.

After discussion among the trustees, VP Kirleis stated that MassBay will establish procedures to follow up with NSLDS to ensure each transaction is completed as required. Not every instance was due to an error on the part of NSLDS.

Discussion took place around the designation of a "WR" (administrative withdrawal) to a student instead of a grade. A faculty member may choose to withdraw a student and issue the “WR” in place of the grade “F”. This decision is not always shared with the registrar’s office in a timely basis, causing a delay in reporting the status change.

While there is a formal process to withdraw from the college, not all students chose to formally withdraw, when they stop coming to classes.

Also, under the collective bargaining agreement, faculty are not required to take attendance. Dr. O’Donnell pointed out the under Title IV, the college is required to report the date when any employee of the college is made aware of the withdrawal. There is a discrepancy with the date the college knows that the student has withdrawn.

President O’Donnell listed the following interventions to work toward eliminating this long-term issue:

1. The MA college system needs to review the federal financial aid requirements, especially as to who it relates to taking attendance.
2. MassBay needs to review its academic policy and move through governance to remove the “WR” designation.
3. MassBay needs to address how internal departments involved in the administration of federal funds interact administratively. The A-133 Committee is helping to address this interaction.
4. Formalization of the withdrawal policy.

When a “WR” is issued, problems can arise related to collecting outstanding balances since the “WR” is not a grade. No one present was aware if the “WR” designation exists at other institutions or if it is unique to MassBay.

President O’Donnell stated that the Cabinet will need to lay out the ramifications of having a grading policy that is out-of-date.

**ACTION ITEM**: The College leadership will provide an update to the Board in June 2015 on progress made on each of the four intervention steps.

No consequences exist for the College in having repeat findings on this audit by the DoE.

**Finding 2** – Outstanding or uncashed checks that contain federal funds must be returned to the DoE within 240 days of issuance.

This is also a repeat finding and any instance of noncompliance must be reported, regardless of the dollar amount or number of instances. The total amount from the four outstanding checks for FY14 was $664, a significant decrease from the previous years. In FY12, the total amount was $222K and $125K in FY13. The College’s finance team worked diligently for the last two years to decrease this issue, dating back to 2002.

Mr. McGuinness referred to this issue as a serious finding in prior years that has come a long way to being resolved.
Finding 3 – Title IV funds must be returned within 45 days after a student withdraws. This is also a repeat finding. In the sample of 25 students, one student’s funds, totaling $33, were not returned within the timeframe.

Finding 4 – Work-study students are working while they are scheduled to be in class. This a new finding. In the sample of 15 students, eight were found to be non-compliant throughout the academic year. Additional training for the supervisory staff started in September 2014. VP Kirleis commented that the finding may be repeated in next year’s audit due to the fact that the College was not aware of the finding until after the audit was completed.

The number of findings for FY13 was six. Three of those findings were not repeated.

Trustees expressed disappointment with the repeat findings and gave a directive to management to keep up the good work in making sure that systems and practices continue to improve.

MOTION: Trustee Juliani made a motion to recommend that the trustees accept the FY14 A-133 Audit Report at the February 24 Board meeting. Trustee Der seconded and the motion passed unanimously.

FY14 Massachusetts Office of Student Financial Assistance (MOSFA) Audit Report (Item 3) – This audit of the funds the college receives from the state was reviewed during the January 20, 2015 meeting. One nonmaterial noncompliance item related to student refunds was noted related to student refunds.

MOTION: Trustee Beville made a motion to recommend that the trustees accept the FY14 MA Office of Student Financial Assistance Audit Report at the February 24 Board meeting. Trustee Juliani seconded and the motion passed unanimously.

FY15 Budget vs. Actual Budget Comparison Report for December 2014 (Item 4) – VP Kirleis reviewed the report that reflects the results of the first six months of the fiscal year. There is a positive budget variance of slightly over $2.2M. To date, revenues have been $235K higher than budgeted and expenses have been $399K less than budgeted and the College has been able to realize half of the annual budgeted value of the reserves in the bottom line.

The state has released nearly all of the budgeted state appropriation to the College, so the funds will be available for use as salary costs are incurred during the remainder of the fiscal year.

Disbursements for financial aid continue below budget, with a $929K gap in December. Fall disbursements continue and Spring disbursements are presently scheduled for a late February timeframe.

On the expense side, there have been cost savings realized in the permanent salary account due to retirement and staff turnover. There have been delays in filling some of the vacancies, due to the specialized skill sets required. There are grant funded expenses in the adjunct faculty and part-time/stipends line, resulting in a presentation that shows these two lines in deficit. Future budget reports will list grants in each of the budgeted expense lines to more accurately portray the College’s overall financial position. Grant expenses of $800K are included in the report, but the $1.1M in revenue is not. The College is working with a consultant to generate the financial reports directly from the system.

After positive numbers for the first six months, the question was asked as to how the second six months will be affected with the decrease in enrollment. VP Kirleis explained that the higher than expected loss in enrollment for the Spring semester, the governor passed a 9-C cut of approximately $200K.
VP Kirleis explained how the 9-C cut will be calculated. The majority of the appropriation is used for salaries. When the state pays salaries, the benefits (currently at a rate of 27%) are also covered, i.e. a $100K appropriation totals $127K. The College's appropriation will remain at $15.5M, with the state paying staff salaries and benefits and the College paying back the state out of the revenue, saving the College about $60K in benefits’ costs.

VP Kirleis stated that there is no preliminary budget from the state yet, but expects not to see the level of increased investment that the college experienced in past years.

Discussion about open positions and how they are filled took place. All open positions are evaluated with those deemed most critical filled before others. President O’Donnell commented on cost savings measures, i.e. cutting back on spending and retrenchments. The last tuition increase took place in Spring 2011. Dr. O’Donnell stated that a tuition increase cannot be used to offset loss of revenue based on loss of enrollment.

**MOTION:** Trustee Juliani made a motion to recommend the trustees accept the December 2014 Budget vs. Actual Comparison Report at the Board meeting on February 24. Trustee Der seconded and the motion passed unanimously.

**Contracts (Item 5)** – Two contracts over $25K were issued in January. The first is for an engineering study for the cooling needs to the Wellesley Hills campus classrooms that are currently not air conditioned. The College sees this as the next step in continued dialogue with the Division of Capital Asset Management and Maintenance (DCAMM) on this project. This project will require advocacy to the state legislators. The second contract is for a new cooling tower at Wellesley Hills, funded as part of this year’s capital budget.

**January 2015 Student Accounts Receivable Report (Item 6)** – The accounts receivable balance stands at $7.9M as of the end of January, with $4.3M of the amount for Spring 2015. While the overall accounts receivable balance is down nearly $400K from a year ago, the amount for the previous Fall semester has grown from 6% of the total balance to 11% of it, with a dollar increase of $420K.

The College continues to feel the effect of having to bypass those students who were in the financial aid process in Fall 2014 from the financial drop process due to PeopleSoft financial aid implementation that was underway at the time. In January, $5K was placed into Collections and almost 900 student accounts have been placed with Intercept, with a dollar value of $1M. In January, the state intercepted $7.9K for MassBay.

**December 2014 Local Funds Cash Position Report (Item 7)** – The cash position was $8.2M, $3.4M higher than December 2013. Report now reflects the same period of time for the past six years.

Dr. O’Donnell referenced a 10-year report of monthly cash balances. This $8.2M figure for December 2014 is the fifth highest cash balance for the last 10 years at MassBay. The president referred to the $8.2M as a “nice” figure, but not enough to withstand the volatility.

**COMPLIANCE ITEMS**

**Update on the 2011 Clery Performance Review** – The response to the Campus Crime Program Review Report from the U.S. Department of Education’s (DoE) 2011 audit was submitted in January 2015. As required, the College must also submit a biennial review of the existing drug and alcohol programs and new Drug and Alcohol Abuse Prevention Program. The MassBay Clery and Public Safety (CAPS) Committee requested and has been granted an extension to submit the review to the DoE until March 30, 2015.
**PERSONNEL ITEMS**


**Organization Structure** – President O'Donnell read the statement announcing the organization structure changes in the leadership team. The goal is to start moving forward in enrollment and change systems so that MassBay has cash flow to invest in itself.

Trustees expressed the following concerns regarding the additional responsibilities given to VP Kirleis and VP Salomon-Fernandez: hiring of additional staff, burnout, and establishing clear priorities. The President spoke about modifying systems, reviewing how the existing talent is used, and the possibility of reallocating staff members. When VP Sullivan retires in June, a decision will be made regarding the vacancy.

**Spring 2015 Enrollment Report** – VP Sullivan announced that enrollment is currently down in comparison to Spring 2014: 5.6% in head count (HC) and 6.9% in full-time equivalent (FTE). VP Sullivan spoke about categories that had increases:

- 35-39 years old – 7.4% increase
- Non-degree seeking students – 11.2% increase
- Readmit (students that have been away from MassBay for more than two years) – 12% increase
- Online exclusively – 14.6% increase
- Online hybrid – 8.1% increase

Provost Purcell said enrollment in both evening and weekend classes decreased significantly. Each of the divisions decreased in FTE for this semester:

- STEM – 1.9% decrease
- SSPS – 3.9% decrease
- Humanities – 4.9% decrease
- Health Sciences – 11.5% decrease

The enrollment loss translates to approximately an $800K loss. The College budgeted for a 4% full-time equivalent (FTE) loss.

The question was asked if programs are at risk, especially those with significant decreases. Provost Purcell responded that the health sciences programs are steady, the paramedicine program is rebuilding after being placed on hold for a semester.

Enrollment for students in the MassBay service area dropped by 4% and by almost 19% for Boston-area students. The only college in the system that reported an increase in enrollment was Roxbury Community College.

Discussion took place about finding opportunities to focus on to increase enrollment. VP Salomon-Fernandez spoke about trend lines. There appears to be a realization by students (non-degree seeking and readmit) that returning to complete a degree is beneficial. The number of Hispanic students is decreasing significantly.

Current mass marketing from area colleges and universities is focusing on degree completion.
**ADJOURNMENT**

**MOTION:** Trustee Juliani made the motion to adjourn the meeting; Trustee Der seconded. The motion passed unanimously.

The meeting was adjourned at 6:51 p.m.