

Finance, Audit and Facilities Committee Meeting

April 23, 2008

7:40 a.m. – 10:15 a.m.

Members Present

James Reynolds, Chairman

Betsy Hill

Rev. Leon Finney, Ph.D.

Peggy A. Montes

Juwaun Sutton, Student Trustee

Others Present

Roll Call and Verification of Meeting Notice

A quorum was verified and the notice was posted as mandated by the Illinois Open Meetings Act.

The previous meeting minutes were approved as circulated.

2007 Audit Update

Trustee Reynolds commented that he was aghast at the 17 material audit findings for 2007. He noted the University was at the same place as it was last year. Trustees had been informed that the issues would be resolved. Clearly, that is not the case. He queried as to what is going on with finances and internal auditing and how to put procedures in place to address these issues. He strongly urged the University to develop procedures, guidelines and structure so that these issues do not reappear. He emphasized that the role of the Board is that of oversight and not micro-managing the University. Trustee Reynolds asked for clarity on the role of the Internal Auditor. Isn't his job is to keep Trustees informed? John Meehan, the Internal Auditor, responded that his responsibility is to conduct testing in certain areas and to summarize the results to the President and to discuss the results with the chain of command and to assist the external auditors. He noted that there are ten (10) specific testing areas. Not all are transparent.

Trustee Reynolds asked if his testing mirrors those of the external auditors.

Trustee Finney asked if he was surprised about the findings.

Mr. Meehan responded that his testings do not mirror the External Auditors because they do not share their issues with him.

Trustee Reynolds queried as to who he reports to and what he does when he discovers a problem.

Trustee Finney asked if he is fully capable of performing his responsibilities as Internal Auditor.

Mr. Meehan responded that he is the only Internal Auditor. In the past, he has functioned with two employees and some contractual service personnel. However, his staffing was decreased four years ago to one person.

Trustee Finney queried as to if he believes he has adequate staff, given the scope of activities and the recent audit findings.

Mr. Meehan responded no.

Chairman Reynolds commented that staff turnover and quality of staff are not very high and they cannot be blamed for problems that the University is encountering. These problems have to be with management in selection, motivation, retention and compensation. Staff should, however, make louder noise in the future when there are potential problems.

Trustee Hill commented that a discussion needs to be held on closing the loop and systems are not necessarily transparent.

Trustee Reynolds stated that the Internal Auditor has not done his job just because the issues are raised.

Trustee Finney recommended that as we look toward 2009, an assessment of the Internal Auditor's budget should be examined, with the focus on providing adequate staffing and whether accountability is in place and reporting matrix to support the structure. At future meetings, Mr. Parker or his replacement and the Internal Auditor will present their findings to the committee.

Mr. Richard Parker, interim Vice President of Finance, presented his overall perspective of the audit findings. He surmised that staff turnover and failure to utilize existing staff is the root of some of the problems. He informed the trustees that he has reorganized the Accounting Department and has done some terminations and has enhanced the quality of staff to address some of the problems. The major areas that he is assessing are property control, bank reconciliations, process issues, and personnel issues, e.g. documentation for transactions, purchasing rules were not followed and confusing by Accounts Payable. He has tried to put in place some review process as well. He also informed the Trustees that there are seventeen (17) banking accounts. Eleven have been reconciled. They are eight to nine months behind. Use of the credit cards is also an issue. Also, the Accounting Department is not organized to carry out job responsibilities. Talents were being underutilized.

Trustee Reynolds charged Mr. Parker and Meehan with assessing the status of these accounts.

Trustee Reynolds noted that he is concerned about the first audit finding related to certain grants and property control records. One was overstated by \$468,000 and another by \$419,000 and another was \$521,000 over. He noted that these are problems are due to human errors caused by inefficiencies, quality of staff, lack of processes and poorly trained staff and turnovers. Mr. Parker also noted that the previous Vice President of Administration had instructed staff to pay the bills in spite of lack of documentation.

Trustee Reynolds also noted that Finding #11 relates to procedures that are not in place to catch travel and lodging use of the University credit card.

Mr. Parker presented a written action plan to address the 17 audit findings.

Finding #9 relates to serious problems related to procurement. Mr. Parker commented that there is confusion about procurement regulations. It has been made clear to all personnel that the Procurement Code applies to all federal and state grants. More monitoring and training is needed. **Any contract over the amount of \$250,000 must be approved by the Board, with no exceptions.** The role of the Legal Counsel is to monitor and prepare most contracts. They are then submitted to Purchasing for bidding. The Department's role is to prepare the resolution for submission to the Board.

Trustee Reynolds concluded that the University does not follow the rules and procedures established by the Board or state regulations. Management must get serious about adhering to policies and procedures. The University needs to "stop passing the buck." A lot of the responsibilities could be performed by someone with an accounting undergraduate degree. The problem is the culture of the institution and not having competent personnel in place. Trustee Reynolds noted that the Board is suspicious of reports submitted by management. The role of the Board is not to manage staff and procedures. The Board cannot live up to its fiduciary duties if competent staff is not in place. He noted that it is difficult to understand why Procurement does not perform its job.

Trustee Finney commented that the Ghanaian contract of \$930,525.50 is still mysterious related to expenditures. Internal controls are not in place and it is further troubling concerning inappropriate expenses related to the house in Ghana and the purchase of a car. He also noted that he is concerned about a former employee who benefitted from the \$250,000 xerox machine contract.

Attorney Mark Dunn provided a history of the Ghanaian contract.

**Trustee Reynolds moved to approve the \$930,525.50 Ghanaian textbook contract. Trustee seconded the motion. The motion was voted on as follows:**

**Ayes: 3**

**Abstention: 2**

Trustee Finney commented that before he votes positively for the contract, he must receive assurance that President Daniel, Nancy Hall-Walker, or Mr. Nate Tindall has no proprietary interest in Buck Press. Assurances were given by the stated parties.

President Daniel commented that she was concerned about the University being debarred from future federal contracts if the Ghanaian contract is not approved.

Attorney Dunn assured Trustees that this was not likely to happen.

Trustee Finney commented that he was also concerned about the audit not being complete and the repercussions and he would be okay if the audit was complete. Further, no one has explained to him the urgency of approving the contract today. He is unclear and uncomfortable; therefore, he voted to abstain.

Dr. Contah responded that the books should have been in the classrooms in January 2008. Now, it is April. The University is three months behind in delivery. There is no penalty. The integrity of the University is the issue.

Trustee Finney commented that he was concerned about the legal issue and to compromise the integrity of the university related to documentations never being presented to the Board in a timely manner and the number of caveats in the resolution are also concerns. If he can be assured that this resolution stands alone from the USAID initiative, then he is okay with the resolution.

**It was moved and recommended that the \$930,525.50 Ghana Textbook Contract be approved by the Board. The vote was as follows:**

**Ayes: 4**

**Abstention: 1**

**It was moved to recommend to the full Board the approval of the \$956,000 program planning for the renovation of the science building. The resolution passed as follows:**

**Ayes: 5**

**Nays: 0**

**Trustee Finney moved to recommend to the full Board the approval of the \$1.4 million FY 09 Tuition Waiver Budget. Trustee Reynolds seconded the motion. The motion passed as follows:**

**Ayes: 4**

**Abstention: 1**

**Trustee Finney moved to recommend to the full Board the approval of the FY 2009 Operating and Capital Budget. Trustee Reynolds seconded the motion. The motion passed as follows:**

**Ayes: 5**

**Nays: 0**

There were no public and employee comments.

The meeting adjourned at 10:15 a.m.