



The Peninsula's Community College

Thomas Nelson Community College Local Board  
Finance and Municipal Liaison Committee  
December 11, 2019

Member(s) Present: Allan Melton, Vince Warren, Scott VanVoorhees, and Perry Showalter

Guests: Michael Kuhns, Izabela Cieszynski, John MacMillan, Gus Owens, Donna Woods, and Joyce Jarrett

College Staff Present: Dr. John T. Dever, President; Steven Carpenter, Vice President for Finance and Administration; Dr. Susan English, Vice President for Academic Affairs and Workforce Development; Kris Rarig, Interim Vice President for Student Affairs; Cynthia Callaway, Vice President for Institutional Advancement; Gil Gillespie, Budget Analyst; and Geraldine Mathey, Administrative Assistant

Mr. Kuhns opened the meeting at 4:10 p.m. He noted this meeting was open to all Local Board members in response to the recent financial concerns. He turned the meeting over to Mr. Melton.

1. September 25, 2019, Minutes. Mr. Melton asked the FAML members to review the minutes. Dr. Warren made the motion to accept the minutes; Mr. VanVoorhees seconded the motion; and the minutes accepted by FAML for file purposes. Mr. Melton will recommend the Local Board accept the September 25 minutes.

2. Recommended Policy and Procedures for Borrowing Between Local and State Funds.

Mr. Carpenter said this was a new policy and procedure recommended for the College. He said the System Office may be drafting a document to cover all 23 colleges but until that is approved and distributed, he felt it was important to have these guidelines in place and approved by the Board. The document is divided into two sections: Policy and Procedures.

a. Policy: Loans can be made from unrestricted local funds; however, borrowing from restricted local funds is prohibited. These loans should only be used for the purpose of managing short-term cash flow. Any loans exceeding \$25,000 or repayment beyond 30 days must be approved by college administration, recorded in the financial system, and reported to the Local College Board.

b. Procedure: The recommended procedure to initiate inter-fund loan requests are as follows:

- 1) Must be made to the President in writing;
- 2) Must specify the amount of the loan;
- 3) Must specify the repayment amount(s) and the schedule for repayment;
- 4) Must identify the purpose and justification for the borrowing; and
- 5) Provide any relevant financial information which demonstrates the need for the loan.

The Cabinet will be informed of the loan at their next scheduled meeting, with the details regarding the borrowing and the President's approval recorded in the Cabinet meeting minutes. The Local College Board will be notified at their next meeting.

Dr. Showalter asked who is considered college administration; Mr. Carpenter replied they are the President, the Vice Presidents, the Human Resources Director, and the Director of Institutional Research and Effectiveness. Dr. Jarrett asked if the President would be expected to get approval from the Local College Board for any loan requests; Mr. Carpenter said no, the President would only be required to notify them of the request. Mr. MacMillan asked if this was a new policy; Mr. Carpenter said it was and that he is not aware of any other VCCS institution that currently has such a policy. Dr. Showalter asked if this new policy/procedure needed to be approved at a higher level; Mr. Carpenter said it did not as it would be an internal policy for Thomas Nelson. He did say that if the VCCS instituted a system-wide policy, the College would abide by that one. Dr. Jarrett said the phrase "approved by the college administration" was too ambiguous and recommended changing it to read "approved by the President"; Mr. Carpenter agreed to make the change. Mr. Kuhns asked how the \$25,000 amount had been reached; Mr. Carpenter said that amount had seemed reasonable, based on internal discussions.

Mr. MacMillan said he felt Local College Board members should have known what to look for in the financial statements. Mr. Carpenter replied that they had not been provided with balance sheets in the past few years but he would ensure that information was included.

Mr. Melton asked the FAML members to recommend approval of the new policy/procedure by the Local College Board. Mr. VanVoorhees made the motion to accept the new policy/procedure; Dr. Showalter seconded the motion; and the recommended Policy and Procedures for Borrowing Between Local and State Funds was accepted by FAML. Mr. Melton will recommend the Local College Board accept the policy/procedure.

3. Status of Audit Report for Local Funds. Mr. Carpenter said the audit team has not completed their report but he was able to provide a verbal update. The audit team was on campus during November, and he anticipates their report will be ready early January. He attended the exit interview and provided the following four items from that meeting:

a. All finances were accounted for and there are no funds missing. He expects the audit to recommend a succession plan for Finance and Administration. He pointed out that this department has lost its Vice President, Associate Vice President for Financial Services, Budget Analyst, and Business Office Manager, resulting in the loss of vital institutional knowledge.

b. The financial statements did not always agree with General Ledger and Journal entries. He said the funds were within the various reports but were placed into different accounts. He stressed that the financial statements were accurate. He said some redundancies were found within the various funds and after diligently clearing up these accounts, money was found. Mr. Kuhns asked how much had been found; Mr. Carpenter said after merging redundant and duplicate funds, \$1 million was uncovered. Dr. Jarrett asked if some funds were found to be dormant; Mr. Carpenter said yes. Dr. Warren asked for an explanation; Mr. Carpenter said he spoke with Ms. Bailey and learned that in the past FAML members requested only general information on funds.

c. Loans were made from local funds to state funds without notifying the President. Mr. Carpenter stated that no funds from the localities were involved. The funds came from monies received as commission from the bookstore, vending machines, etc.

d. The audit identified an additional \$14,000 in petty cash and bank accounts than shown in the General Ledger. Mr. Carpenter said money coming in via wire transfers were not entered into the General Ledger. Ms. Cieszynski asked if there any accounts that contained less money. Mr. Carpenter replied there were some accounts that were negative due to inactivity. Mr. Gillespie stated that some accounts had not been kept current starting in 2007 when the College transitioned to a new accounting system. Those accounts in the negative will be written off.

Mr. Melton asked the FAML members to recommend acknowledging the status of the audit by the Local College Board. Dr. Showalter the motion to acknowledge the update; Dr. Warren seconded the motion; and the acknowledgement of the audit status was accepted by FAML. Mr. Melton will recommend the Local College Board acknowledge the update.

5. College Board Local Funds. Mr. Carpenter said this handout, included in the Local College Board meeting materials, was a recommendation to consolidate the various line items found in the financial statements into a more concise format.

a. General Local: The first three items (Local Vending, Commissions, and Local Bookstore Int [Interest]) are active accounts and are included in every financial statement. The next set (Library, Local Bookstore, Investment Fund, Local Loans – Local, and two identified as TBD) have little to no activity and are not presented. The recommendation is to merge these under General Local. Mr. Melton asked if the local bookstore was a vendor; Mr. Carpenter said they pay a commission. Ms. Cieszynski asked what funds were received from the Library; Mr. Carpenter was not certain. Mrs. Mathey shared that the Library uses WEPA for students wanting to make copies of their documents. In the past the College allowed students to use them use college-owned copiers; by using WEPA the students are able to use a prepaid card purchased through the Bookstore and the College receives a portion of those sales.

b. Student Activities: This section will not change.

c. Construction: Mr. Carpenter recommended merging construction and Investment in Plant into one header (Construction).

d. Safety, Security & Parking: Mr. Carpenter said Photo ID and Parking were redundant and recommended merging them with Safety, Security & Parking.

Dr. Showalter asked if making these changes would generate a more accurate financial report to the Local College Board; Mr. Carpenter said it would. Dr. Warren asked if any savings would be evenly distributed; Mr. Carpenter said they would not.

Mr. Melton asked the FAML members to recommend accepting the suggested modifications within the financial statements. Dr. Showalter the motion to acknowledge the update; Mr. VanVoorhees seconded the motion; and the suggested modifications to the financial statement was accepted by FAML. Mr. Melton will recommend the Local College Board approve the changes.

#### 6. FY 2019 Year-end Local Funds Financial Statement.

a. Local Funds & General Funds (page 2): Mr. Carpenter reported no adjustments had been made. He noted that expenses outpaced income, especially the funds for the College's 50th anniversary celebration. Mr. Kuhns asked if account managers would have better control spending state funds to ensure they do not overspend; Mr. Carpenter said yes. Mr. Kuhns then asked if the same process is used to track state and local funds; Mr. Gillespie said the process was not used to track local funds but he knows the account managers are reviewing their monthly reports as he has been getting feedback from them. Mr. Carpenter said his first focus upon taking the job as Vice President for Finance and Administration was to work on states funds; he is now working on local funds. Dr. Jarrett asked if there were stopgaps in place to prevent overspending; Mr. Carpenter said all purchases go through eVA; if Mr. Gillespie approves the purchase if there are funds available in that account. If there are no funds, Mr. Gillespie denies the request.

b. Student Activity (page 3): Mr. Carpenter reported that there some slight over expenditures in this budget.

c. Construction Fund (page 4): Mr. Carpenter said these funds are the contributions from the localities. He expects this budget to be over expending for the next few years due to the building of the Diggs-Moore-Harrison replacement building. He stated the payments for the design of the building have been made.

d. Safety, Security and Parking Fund (page 5): Mr. Carpenter said there were no changes identified for this account.

e. Statement of Revenue, Expenditures & Change in Net Assets (page 6): Mr. Carpenter said this page provides a summary of the budget.

f. Balance Sheet (page 7): Mr. Carpenter said this is a new page inserted into the financial statement and provides a breakdown of each fund. He explained that the line item “Loan Receivable Grants” are local funds transferred to grant funds as seed money. He said he has learned there are other ways to do this transfer such as borrowing from the state (not local funds) but will need to do more investigation into the different methods.

Mr. Melton asked the FAML members to recommend acknowledging the status of the audit by the Local College Board. Mr. VanVoorhees the motion to acknowledge the FY 2019 Year End Financial Statement; Dr. Warren seconded the motion; and the financial statement was accepted by FAML. Mr. Melton will recommend the Local College Board accept the FY 2019 year-end financial statement.

7. VCCS Report on Audit for the Year Ended June 30, 2018. Mr. Melton stated he reviewed this audit online and did not see Thomas Nelson as one of the schools audited. Mr. Carpenter said he found that several colleges within the audit had been cited for improper off-boarding procedures and Thomas Nelson must ensure their clearance procedures are done properly. He said each institution is audited on a 4-year cycle and believes Thomas Nelson will be audited in 2021. He said his staff reviews the audit against their practices and will modify their internal processes based on recommendations contained in the audit. Mr. Melton asked the FAML members to recommend acknowledging receipt of the VCCS audit by the Local College Board. Mr. VanVoorhees the motion to acknowledge the VCCS Report on Audit for the Year Ended June 30, 2018; Dr. Warren seconded the motion; and the audit was accepted by FAML. Mr. Melton will recommend the Local College Board accept the VCCS audit.

8. Statement of Economic Interests and Completion of State Officer and Employee Conflict of Interest Act Training. Mrs. Mathey said this filing is an annual requirement for Local College Board members and certain staff within the College. The Commonwealth’s Ethics Council will send out an email on January 1, 2020, to those listed in their database. Electronic filing will open January 1 and must be completed by February 1, 2020. The ethics training is required by

everyone completing the Conflict of Interests filing and is done every two (2) years. She said if a Board member is required to complete this filing through their employee, he/she does not need to complete one through the College. She said she can track those who have completed the filing but not those who have not completed the ethics training. She asked Board members to send her an email that they have completed this training or a copy of the certificate of completion. She will send out an email next week to remind Board members and staff of the required filing. Mr. Melton asked the FAML members to recommend acknowledging the required annual filing of the Conflict of Interests; the FAML members approved. Mr. Melton will ask the Local College Board to acknowledge the required filing.

Mr. Kuhns thanked the Board members who were able to participate in the FAML meeting. The meeting was adjourned at 5:25 p.m.