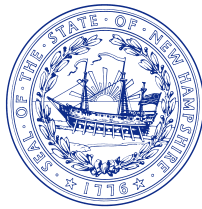


**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM  
OF NEW HAMPSHIRE**

**PERFORMANCE AUDIT REPORT  
AUGUST 2017**





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*To The Fiscal Committee Of The General Court:*

We conducted a performance audit of the Community College System of New Hampshire to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. The evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of the audit was to determine how efficiently and effectively the Community College System of New Hampshire was managed during State fiscal years 2012 through 2016.

*Office of Legislative Budget Assistant*

Office Of Legislative Budget Assistant

August 2017

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**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**ABBREVIATIONS**

AVPAA	Assistant Vice President Of Academic Affairs
AVPSA	Assistant Vice President Of Student Affairs
Board	CCSNH Board Of Trustees
CCSNH	Community College System Of New Hampshire
CFO	Chief Financial Officer
COBIT	Control Objectives For Information And Related Technologies
Foundation	Community Colleges Of New Hampshire Foundation
FTE	Full-time Equivalent
GAO	Government Accountability Office
GBCC	Great Bay Community College
GFOA	Government Financial Officers Association
IPEDS	Integrated Postsecondary Education Database System
IRS	Internal Revenue Service
IT	Information Technology
LRCC	Lakes Region Community College
MCC	Manchester Community College
MOA	Memorandum Of Agreement
NCC	Nashua Community College
NHTI	New Hampshire Technical Institute-Concord's Community College
RVCC	River Valley Community College
SBR	System Banner Revitalization
SFY	State Fiscal Year
SHRM	Society For Human Resource Management
Standards	International Standards For The Professional Practice Of Internal Audit
WMCC	White Mountains Community College

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**STATE OF NEW HAMPSHIRE**  
**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**EXECUTIVE SUMMARY**

We identified several areas in need of improvement for the Community College System of New Hampshire (CCSNH), including administration, financial operations, information technology management, and the relationship between CCSNH and the Community Colleges of New Hampshire Foundation (Foundation). CCSNH was statutorily separated from the direct control of the State and its rules in 2011. This change gave CCSNH more flexibility to manage its operations, but also left a considerable void in its control environment which we found was not adequately restored. For instance, CCSNH lacked policies and procedures that could strengthen its control environment and we also found instances where CCSNH management circumvented or did not follow other controls. These findings hindered the CCSNH from having a well-coordinated system as required by statute. We believe the recommendations made in this report will help the Board of Trustees (Board) and the Chancellor improve CCSNH's management practices.

We found the authority and responsibilities between the Chancellor's Office and the colleges were ambiguous, which ultimately stemmed from an unclear role of the Chancellor's Office. CCSNH was overseen by the Board, and administered by the Chancellor's Office and seven college Presidents. According to statute, the Board governed CCSNH and provides "policy-making and operational authority," the Chancellor was the chief executive officer of the organization, and each President was the chief academic and administrative officer of their respective college. We found CCSNH lacked comprehensive policies and procedures in key business areas such as finance, budgeting, capital planning, procurement, data management, fleet management, and information technology project planning. Lack of policies and procedures often resulted in colleges completing the same task in different ways, potentially leading to inefficiency. We also identified instances of bartering, conflicts of interest, and questionable spending, which illustrated how insufficient controls can negatively impact the organization.

CCSNH did not have policies for how to allocate State funding, valued at \$40.1 million in State fiscal year (SFY) 2016. As a result, we found no justification why one school received about \$8,200 of State funding per full-time equivalent (FTE) student during SFY 2015, while another school received about \$2,800 per FTE student during the same time period.

Lack of policies and procedures also negatively impacted CCSNH's System Banner Revitalization (SBR) software development project. In an effort to centralize database operations, the Chancellor—at the request of the Board—embarked on the \$2.9 million project. Based on conversations with members of CCSNH management and the absence of planning documents, we found the SBR project was inadequately planned and had so far resulted in inefficient operations, ineffective reporting, and additional workloads on CCSNH staff. We found the purposes of the project were misconceived, and as a result CCSNH had yet to achieve the goals of SBR. CCSNH management could have mitigated or avoided these issues by the use of appropriate information technology project planning and development techniques.

We found the relationship between the Board and the Foundation needed improvement. Though the Foundation was created in 2000, the Board and Foundation did not establish any agreement to govern interactions between the two organizations until February 2017. Moreover, the Board and the Foundation had different ideas about what role the Foundation would play, leading to conflict

between the two entities. In July 2016, the Board terminated an investment agreement with the Foundation and subsequently removed nearly 80 percent of the funds under investment with the Foundation. Consequently, the Foundation had to resort to hiring a mediator to facilitate a productive discussion over whether the Foundation should continue to exist after the funds were transferred. In its current state, the Foundation may lack the appropriate degree of independence because of the operational control possessed by CCSNH.

**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

**RECOMMENDATION SUMMARY**

<b>Observation Number</b>	<b>Page</b>	<b>Legislative Action Required?</b>	<b>Recommendations</b>	<b>Agency Response</b>
1	<a href="#">13</a>	No	Annually report on progress towards Community College System of New Hampshire's (CCSNH) annual and five-year goals and document annual performance evaluation of the Chancellor.	Concur
2	<a href="#">16</a>	No	Ensure more detailed minutes are taken during non-public sessions and emergency meetings are only called under allowable circumstances.	Concur
3	<a href="#">17</a>	No	Specify in policy the role of the Chancellor's Office, develop policies and procedures to guide Chancellor's Office operations, defining which responsibilities are covered at the CCSNH-wide level and which are covered at the community college level, and create logical and transparent methodologies for how to fund the Chancellor's Office and allocate revenue from online education tuition.	Concur In Part
4	<a href="#">19</a>	No	Develop and implement a severance policy for confidential employees and seek input on the use and limits of severance payments.	Concur In Part
5	<a href="#">20</a>	No	Develop and adopt CCSNH level fleet management policies and procedures, and monitor compliance.	Concur
6	<a href="#">21</a>	No	Establish policies and procedures for the acquisition of real property and complete the capital planning policies and procedures manual.	Concur
7	<a href="#">22</a>	No	Ensure college campus master plans are updated according to policy.	Concur
8	<a href="#">23</a>	No	Ensure uniform understanding of credit transfer policies.	Concur
9	<a href="#">25</a>	No	Evaluate a revenue and cost sharing mechanism for the Running Start program and improve program monitoring.	Concur In Part

Recommendation Summary

Observation Number	Page	Legislative Action Required?	Recommendations	Agency Response
10	<a href="#">26</a>	No	Reevaluate management staffing practices at the smaller colleges, and make changes to increase efficiency. Evaluate management staffing efficiency at academic centers, and determine if improvements are needed.	Concur
11	<a href="#">27</a>	No	Consider expanding the internal audit function and work towards implementing leading industry practices for internal auditing.	Concur
12	<a href="#">30</a>	No	Complete and adopt accounting policies and procedures, develop a reserve fund policy, and incorporate investment guidelines into Board policies available on the CCSNH website.	Concur
13	<a href="#">31</a>	No	Develop policies and procedures to generate long-term financial plans.	Concur
14	<a href="#">33</a>	No	Adopt written policies and procedures defining and describing CCSNH's budget development, approval, and monitoring processes.	Concur
15	<a href="#">34</a>	No	Revise procurement policies and procedures to: explain the purpose and goals of procurement; address how to deal with employees bidding on contracts; identify required documents; provide guidance about handling conflicts of interest; explain how to evaluate and select successful bidders; and determine whether bartering is allowed.	Concur
16	<a href="#">36</a>	No	Improve controls over purchases made by executive management by developing and implementing a policy requiring advance approval for purchases over a specified amount and regular review of purchases made on their purchase cards by the next level of management.	Concur In Part
17	<a href="#">39</a>	No	Establish policies and procedures that include leading practices for purchasing card programs.	Concur
18	<a href="#">40</a>	No	Develop policies and procedures to ensure employer-provided educational assistance is properly identified and reported to the Internal Revenue Service.	Concur
19	<a href="#">41</a>	No	Develop policies and procedures describing allocation of State funding.	Concur

Observation Number	Page	Legislative Action Required?	Recommendations	Agency Response
20	<a href="#">43</a>	No	Create policy and procedures for handling overdue “no show” student accounts, understand the potential consequences of the policy on accounting and reporting functions, evaluate the feasibility of using collections agencies, and ensure consistent implementation.	Concur
21	<a href="#">44</a>	No	Conduct tuition and fee waiver reviews as required by CCSNH policy.	Concur
22	<a href="#">45</a>	No	Improve Banner <sup>®</sup> financial reporting by devoting resources necessary and provide appropriate training.	Concur In Part
23	<a href="#">47</a>	No	Develop policies and procedures regarding gift acceptance, acknowledgement, and accounting; collaborate with the Community Colleges of New Hampshire Foundation to develop a strategic fundraising plan.	Concur
24	<a href="#">48</a>	No	Create policies and procedures to ensure employees cannot process cash payments as credit card transactions and evaluate whether increased staff training is needed to show managers how to check cashier session reports for possible fraudulent activity.	Concur
25	<a href="#">49</a>	No	Electronically publish audited financial statements, external audit reports, and required communications letter; additional reports required by RSA 188-F; and periodic budgetary reports presented to the Board of Trustees.	Concur
26	<a href="#">51</a>	No	Develop policies and procedures to guide information technology (IT) project planning, and specify documentation required. Policies should require certain steps for IT projects over a particular dollar amount, and procedures should specify project plan elements and steps to fulfill those policies.	Concur

Recommendation Summary

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Observation Number	Page	Legislative Action Required?	Recommendations	Agency Response
27	<a href="#">56</a>	No	Create standard policies and procedures regarding data management and avoid creating duplicate records. Policies should discourage the use of internally maintained data for management decision-making. Improve reporting by resolving data reconciliation issues between the shared database and the data warehouse, and create policies and procedures to avoid future data reliability issues and improve management reports. Follow IT Organizational Review recommendations, consolidate certain IT functions, and standardize job responsibilities for Banner Coordinators.	Concur In Part
28	<a href="#">61</a>	No	Develop formal processes to govern interactions and expectations between CCSNH and the Foundation.	CCSNH: Concur  Foundation: Concur
29	<a href="#">63</a>	No	Evaluate the Foundation's independence and take appropriate actions to mitigate any independence issues.	CCSNH: Do Not Concur  Foundation: Do Not Concur

**STATE OF NEW HAMPSHIRE**  
**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**BACKGROUND**

RSA 188-F:1 established the Community College System Of New Hampshire (CCSNH) to provide a well-coordinated system of public community colleges, offering as a primary mission, technical programs to prepare students for technical careers as well as general, professional, and transfer programs; and certificate and short term training programs. The mission of CCSNH “is to provide residents with affordable, accessible education and training that aligns with the needs of New Hampshire’s businesses and communities, delivered through an innovative, efficient, and collaborative system of colleges.” The CCSNH Board of Trustees (Board) had established strategic goals to increase enrollment, improve finances and processes, focus on high-demand and science and technology careers, be a pathway from high schools to four-year institutions, use technology to transfer credits and share courses between colleges, and improve employee engagement.

Established by the Legislature as a body politic and corporate in 2007, CCSNH was overseen by the Board. Effective 2011, all functions, powers, and duties of the former Department of Regional Community-Technical Colleges were transferred to the Board. CCSNH had seven campuses: White Mountains Community College (WMCC) in Berlin, River Valley Community College (RVCC) in Claremont, New Hampshire Technical Institute-Concord’s Community College (NHTI), Lakes Region Community College (LRCC) in Laconia, Manchester Community College (MCC), Nashua Community College (NCC), and Great Bay Community College (GBCC) in Portsmouth.

**Governance**

The Board, with 24 voting members as of August 2016, oversaw CCSNH and had broad authority to manage CCSNH, including all seven colleges. Voting members were appointed by the Governor and confirmed by the Executive Council. Voting members of the Board drawn from business and industry, labor, education and technology, health care, and law enforcement sectors, as well as CCSNH students and employees, and the general public. Non-voting members of the Board included the Chancellor; the Vice Chancellor; the Presidents of each community college; the Governor; and the Commissioners of the Department of Resources and Economic Development, Education, and Employment Security.

The Board had the authority to appoint the CCSNH Chancellor, who served at the pleasure of the Board. The Board also delegated responsibilities through several committees:

- Executive
- Finance
- Audit
- Human Resources
- Marketing
- Academic and Student Affairs and Workforce Development
- Facilities and Capital Budget
- Safety and Risk Management
- Governance

After the Legislature redesignated CCSNH from a government agency to an independent institution, it exercised oversight through considering proposed legislation, requiring reports from CCSNH, and directing performance audits. CCSNH continues to be a discrete component

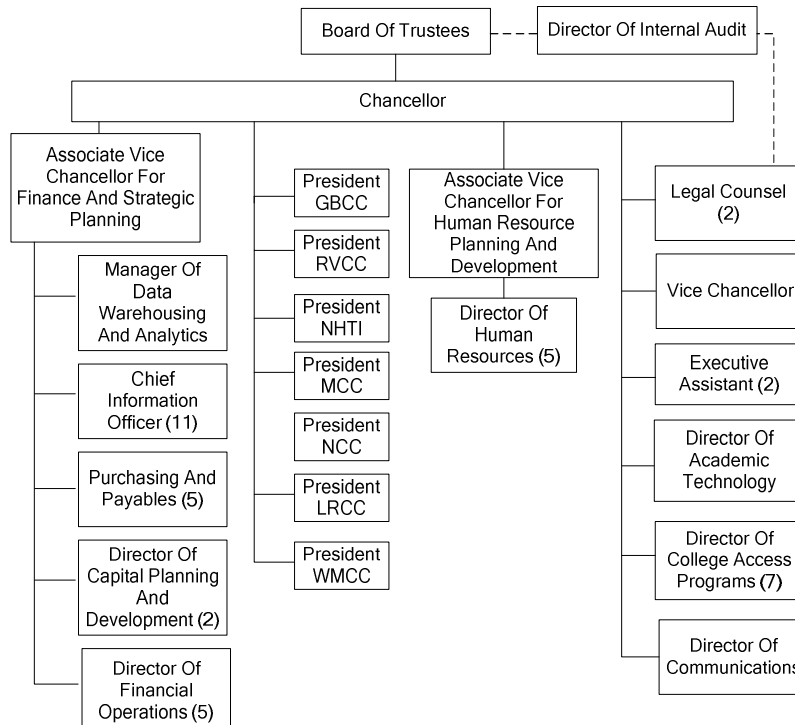
unit of the State. Discrete component units are entities, which are legally separate from the State, but for which the State is financially accountable for financial reporting purposes, or whose relationship with the State is such that exclusion would cause the State’s financial statements to be misleading.

**Organization And Staffing**

Each campus was overseen by a President who was nominated by the Chancellor and approved by the Board. CCSNH’s overall organization is shown in Figure 1. Since 2011, the Chancellor’s Office had become the central administrative hub for CCSNH, providing general administration and typical business-type supports. This includes information technology (IT), finance, human resources, legal counsel, and risk management. The Chancellor acted as the chief executive for CCSNH and was assisted by a Vice Chancellor (position currently vacant), an Associate Vice Chancellor for Human Resource Planning and Development, and an Associate Vice Chancellor for Finance and Strategic Planning. As of June 2017, the Chancellor’s Office consisted of 47 staff, excluding the seven college Presidents who reported directly to the Chancellor. CCSNH reported 701 full-time and 1,543 part-time employees in October 2016 to the federal Integrated Postsecondary Education Data System (IPEDS).

**Figure 1**

**CCSNH Organization  
As Of June 2017**



Note: The Vice Chancellor position was vacant and CCSNH had no plans to fill it as of May 2017. Source: LBA analysis of CCSNH organization charts.



The seven colleges making up the CCSNH were operated somewhat independently by each of their respective Presidents and follow varied organizational configurations. Each President was typically assisted by a Vice President of Student Affairs and a Vice President of Academic Affairs, with an additional business office, human resources, and IT personnel reporting directly to the President. Some campuses also had public relations, marketing, maintenance, institutional research, or corporate affairs personnel reporting directly to the President. For the 2016-2017 academic year, CCSNH reported offering 130 associate degree programs and 150 certificates through at least one of the seven colleges.

### Enrollment, Retention, And Graduation

According to IPEDS data using standardized reporting methodologies, enrollment at the seven colleges totaled 9,285 full-time equivalent (FTE) students in the 2014-2015 academic year (Table 1). The National Center for Education Statistics defines FTE student as single value providing a meaningful combination of full-time and part-time students. The largest community college was NHTI with 2,809 FTE students (30 percent of total students), while the smallest community college was WMCC with 518 FTE students (6 percent of total students). However, MCC and GBCC increased enrollment 13.6 percent and 7.4 percent, respectively, during the audit period, while the other colleges saw net declines in enrollment as the economy improved.

**Table 1**

#### CCSNH FTE Enrollment, 2011 to 2015

Colleges	Academic Year <sup>1</sup>			
	2011-12	2012-13	2013-14	2014-15
GBCC	1,131	1,203	1,259	1,215
LRCC	838	884	824	803
MCC	1,702	1,708	1,825	1,934
NCC	1,413	1,401	1,410	1,395
NHTI	2,938	2,865	2,840	2,809
RVCC	677	657	611	611
WMCC	608	575	541	518
<b>Total</b>	<b>9,307</b>	<b>9,293</b>	<b>9,310</b>	<b>9,285</b>

Note:

<sup>1</sup>FTE students for 12 month instructional activity.

Source: IPEDS.

GBCC had the highest retention rate from fall 2014 to fall 2015, at 67 percent (Table 2). This means 67 percent of the FTE students that started at GBCC in the fall 2014 returned for fall 2015. MCC's retention rate was the lowest during this time period at 41 percent. Comparing retention rates among other New England states, New Hampshire tied Connecticut for second in retention of students from fall 2014 to fall 2015.

WMCC had the best overall graduation rate at 52 percent, meaning 52 percent of the students enrolled during the fall semester of 2012 finished their two-year degree within three years. Graduation rates can be measured over different lengths of time. “Normal time” was the typical amount of time it took full-time students to complete their program. Not all students completed their studies within the normal time, so graduation rates were measured by other lengths of time as well, including 150 percent of normal time. GBCC had the lowest overall graduation rate at just 10 percent. Compared to other New England states, CCSNH overall had a 23 percent graduation rate within 150 percent of normal time, and ranked second among New England States.

**Table 2**

**New England Community College Retention And Graduation Rates For Fall 2015**

<b>States</b>	<b>Retention Rate<sup>1</sup></b>	<b>Graduation Rate<sup>2</sup></b>
<b>New Hampshire</b>	<b>61%</b>	<b>23%</b>
<i>GBCC</i>	67%	10%
<i>LRCC</i>	60%	28%
<i>MCC</i>	41%	19%
<i>NCC</i>	64%	24%
<i>NHTI</i>	65%	23%
<i>RVCC</i>	57%	27%
<i>WMCC</i>	66%	52%
<b>Connecticut</b>	<b>61%</b>	<b>15%</b>
<b>Maine</b>	<b>59%</b>	<b>24%</b>
<b>Massachusetts</b>	<b>59%</b>	<b>17%</b>
<b>Rhode Island</b>	<b>63%</b>	<b>14%</b>
<b>Vermont</b>	<b>51%</b>	<b>15%</b>

Notes:

<sup>1</sup>Full-time adjusted specific group of students established for tracking purposes (cohort) from prior year: Full-time cohort from prior year minus number of exclusions.

<sup>2</sup>Students who began their studies in Fall 2012. Percentage of students who graduated or transferred out within 150 percent of normal time to completion of their program.

Source: National Center for Education Statistics.

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**Revenues And Expenditures**

In State fiscal year (SFY) 2012, the first full fiscal year after becoming independent from the State, CCSNH reported a \$28.2 million operating loss before counting the State subsidy (Table 3). This loss plus net non-operating revenue, primarily the State subsidy, along with other changes in net position, resulted in an increase in net position of \$83.5 million in SFY 2012. By SFY 2016, the net operating loss had grown to \$46.5 million, and after considering net non-

operating revenues and other changes in net position, CCSNH had an increase in net position of \$4.0 million at the end of SFY 2016.

**Table 3**

**CCSNH Revenues, Expenses, And Changes In Net Position,  
SFYs 2012 – 2016  
(In Thousands)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Operating revenues <sup>1</sup>	\$ 80,506	\$ 82,746	\$ 83,066	\$ 84,296	\$ 80,802
Operating expenses <sup>2</sup>	(108,673)	(112,122)	(130,836)	(131,187)	(127,289)
<b>Operating Loss</b>	<b>(28,167)</b>	<b>(29,376)</b>	<b>(47,770)</b>	<b>(46,891)</b>	<b>(46,487)</b>
State Appropriation	31,358	31,544	40,000	42,155	42,500
Other non-operating revenues <sup>3</sup>	(861)	(806)	(995)	(3,052)	(1,218)
<b>(Loss) Income before other changes in net position</b>	<b>2,330</b>	<b>1,362</b>	<b>(8,765)</b>	<b>(7,788)</b>	<b>(5,205)</b>
Other changes in net position <sup>4</sup>	81,211	11,947	9,794	3,296	9,234
<b>(Decrease) Increase in net position</b>	<b>\$ 83,541</b>	<b>\$ 13,309</b>	<b>\$ 1,029</b>	<b>\$ (4,492)</b>	<b>\$ 4,029</b>

Notes:

<sup>1</sup>Tuition, fees, grants, contracts, contributions, auxiliary enterprises, and other operating revenues.

<sup>2</sup>Employee compensation and benefits, utilities, depreciation, and other operating expenses.

<sup>3</sup>Loss on capital asset sale, long-term contributions, investment gain, and interest expense on capital debt.

<sup>4</sup>State capital expenditure appropriations, capital grants and contracts, and capital assets received below State capitalization policy.

Source: LBA analysis of CCSNH financial audit reports.

### CCSNH Achievements

Performance auditing by its nature is a critical process, designed to identify weaknesses in past and existing practices and procedures. Noteworthy management achievements related to the scope of the audit are included here to provide appropriate balance to the report. CCSNH management provided the following examples they and we consider noteworthy achievements.

*IT Assessments*

CCSNH commissioned an independent information security risk assessment in 2015. The purpose of this assessment was to identify risks in its information security practices across CCSNH's seven colleges and the Chancellor's Office. One outcome of the assessment was a catalog of ranked risks facing CCSNH's information systems. The assessment used International Standards Organization 27002 information security standards and addressed risks common in higher education. In addition to the information security risk assessment, CCSNH contracted with an external consultant to assess its IT organization, which was completed in January 2017. Its purpose was to identify deficiencies in the organization of the IT function and recommend improvements.

*Tuition And Fee Reduction*

Overall, CCSNH reduced its tuition and fee charges by an average of 2.7 percent between 2011-2012 and 2015-2016 academic years. Although New Hampshire had the highest tuition among other New England states for full-time students during the 2011-2012 through 2015-2016 academic years, CCSNH reduced its tuition by 4.8 percent compared to the average 8.1 percent increase for other New England community college systems.

*Strategic Planning*

The CCSNH had a strategic plan in place during the audit period. A strategic plan clearly articulates an organization's mission and vision; goals linking directly to the vision; strategies describing how the goals will be achieved; and quantifiable performance measures to track and assess performance towards achieving the defined goals. The CCSNH mission statement states:

Our purpose is to provide residents with affordable, accessible education and training that aligns with the needs of New Hampshire's businesses and communities, delivered through an innovative, efficient, and collaborative system of colleges. CCSNH is dedicated to the educational, professional and personal success of its students; a skilled workforce for our state's businesses; and a strong New Hampshire economy.

CCSNH's vision, called "65 by 25" had as its goal to achieve 65 percent of adults with education beyond high school by the year 2025.

CCSNH's strategic goals to achieve this vision are: 1) increase enrollment; 2) foster an environment where CCSNH is an employer of choice and works to continually improve employee engagement; 3) improve CCSNH's net revenue and financial sustainability, as well as overall financial and budget processes; 4) use technology to expand credit transfer and course sharing between colleges; 5) address the unique needs of our rural colleges and communities; 6) serve as a strong bridge for pathways from high schools and to 4-year institutions and employment with a focus on science, technology, engineering, and mathematics and high demand careers; and 7) advance data collection, analysis, and communication efforts to support goal attainment. In addition, most CCSNH colleges had a strategic plan supporting the goals of CCSNH.

**STATE OF NEW HAMPSHIRE**  
**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**ADMINISTRATION**

The Community College System of New Hampshire (CCSNH) leadership consisted of the Board of Trustees (Board), the Chancellor, and each of the seven college Presidents. The Board governed CCSNH, providing policy-making and operational authority. The Board was also responsible for hiring and managing the Chancellor. According to Board policy, the Executive Committee of the Board evaluated the performance of the Chancellor annually. Each of the community colleges were individually accredited institutions and operate somewhat independently.

The Chancellor oversaw staff in the Chancellor’s Office and recommended Presidents to the Board. The Chancellor also evaluates the performance of each college President annually under the direction of the Board. The Presidents, in turn, were the chief academic and executive officers for their respective colleges, and were in charge of “administration and supervision of all operations....”

CCSNH underwent significant changes which impacted administration when the organization left the State beginning in 2007 and became operationally independent in 2011. Once reliant upon the business process infrastructure of the State, CCSNH and its colleges had to create and change their own business processes, such as setting its own policies and procedures; hiring, setting compensation, and terminating employees as allowed by collective bargaining agreements and law; marketing itself to students; accounting for funds; and tending to other administrative matters.

Our evaluation of the efficiency and effectiveness of CCSNH administrative operations found several areas of concern. We found non-compliance with Board policies regarding reporting progress towards five-year goals and the Chancellor’s annual evaluation. We also found issues of Board compliance with the Right-to-Know law due to excessive use of emergency meetings and a lack of specificity in non-public meeting minutes. In addition, we found the role of the Chancellor’s Office and its funding model had not been defined in policy. CCSNH lacked policies governing severance agreements, fleet management, and capital planning. Understanding of current policy regarding academic credit transfers was not uniform within CCSNH, and evaluation and improved monitoring of the Running Start program was needed. We also identified issues with the management structure at the smaller community colleges and noted an opportunity to expand the internal audit function to enhance overall administration.

**Observation No. 1**

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**Board Accountability Policies Should Be Followed**

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We found instances of non-compliance with Board accountability policies.

**Reporting Progress Towards Five-year Goals**

Board Policy Section 231 contains the Chancellor’s job description. One of the accountabilities requires the Chancellor to deliver “an annual report card to stakeholders on achievement of one

year [sic], and progress towards five year [sic], objectives.” Policy seems to require public disclosure of CCSNH’s achievement to its annual and five-year goals. However, while CCSNH published an annual report each year during the audit period, none of the annual reports contained any indication of progress towards five-year objectives. We asked the Chancellor for a report card showing progress towards five-year objectives. He stated they were shared with the Board but they were not provided to auditors. Policy does not limit the distribution of the Chancellor’s annual report card to only the Board. Instead policy requires it be given to “stakeholders,” which could include CCSNH staff and students, communities, businesses, the Governor, the Legislature, and members of the public. In addition, we noted annual reports were not available on CCSNH’s website.

### **Chancellor Evaluations**

We found the Chancellor’s personnel file did not contain a signed evaluation for each year of the audit period. During our review of personnel evaluations, we found only one evaluation from 2013. The evaluation appeared to be a self-evaluation, and was signed by both the Chancellor and the Board Chairman. We requested the Chancellor’s evaluations from other years of the audit period. However, the received self-evaluations were not signed by a member of the Board and there was no evidence they were presented to the Board. The Chancellor reported he provided a report of his achievements each year to the Board.

We found no indication that a formal evaluation for the Chancellor had been completed as required for confidential employees. The employee manual for employees exempt from the collective bargaining process required a formal evaluation and a self-assessment.

The formal performance evaluation includes an assessment of the employee’s job duties, responsibilities, and specific performance objectives. In addition to general performance observations and assessments, evaluations may include a self-assessment and professional development plan. Such performance evaluations will be conducted by the employee’s supervisor, in consultation with the next level supervisor, if applicable.

Board Operations and Administration policy required the Chancellor to:

develop a management letter detailing the accomplishments of the past year and strategies for the coming year that will enable the System to accomplish the strategic goals.... It will also address the performance of administrative responsibilities as detailed in the Chancellor’s job description. This management letter will be provided to the Executive Committee of the Board of Trustees who will be responsible for evaluating annually the performance of the Chancellor.

Following Board policy will help ensure the Chancellor receives feedback necessary for improvement and to enhance the organization. Additionally, documenting evaluations ensures records are retained for later review by the Board. We note the policy does not require the Board to seek input from CCSNH personnel or officials regarding the Chancellor’s performance.

**Recommendations:**

**We recommend the Chancellor annually report on progress towards CCSNH's annual and five-year goals and ensure it is available to all stakeholders.**

**We recommend the Board document its annual performance evaluation of the Chancellor and ensure copies are kept in personnel files.**

*Auditee Response:*

*We concur.*

*The chancellor has been subject to an annual performance review every year during the audit period. The chancellor has annually provided the board with a comprehensive self-evaluation that has been presented to the chair of the board and discussed by the board in a nonpublic session.*

*We concur that the board of trustees' evaluation of the chancellor should be memorialized in the chancellor's personnel file.*

*Board policy does very specifically prescribe an annual report card to stakeholders on achievement of one year, and progress towards five year objectives; board practice, however, has been to expect more frequent reporting from the chancellor with respect to progress toward board established short- and long-term strategic goals through varied communications. The chancellor reports to the board at each board meeting and provides internal stakeholders with updates through a quarterly letter. With respect to the broader external stakeholders, the chancellor issues an annual report pursuant to RSA 188-F:11, II, that is delivered to the chairmen of the house education committee and senate education committee, the speaker of the house of representatives, president of the senate, the governor, the senate clerk, the house clerk, and the state library. These reports describe the status of major initiatives and priorities, update key metrics and outline structural and operational aspects of CCSNH. While these reports may not specifically reference "five year objectives," they meet the board's expectations with respect to meeting short- and long-term objectives.*

*Additionally, based on information provided by CCSNH, the system's performance is summarized annually in NH Commission on Higher Education report, <https://www.education.nh.gov/highered/research/documents/status-report.pdf>. Furthermore, goals and benchmarks for CCSNH's main strategic goal and contribution to the state --- progress on 65 by 25 (increasing access and attainment in higher education aligned with the needs of employers) --- have been established and progress annually on achieving goals reported to the board at the annual planning meeting and regularly presented at internal and public meetings.*

## Observation No. 2

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### Improve Compliance With Right-to-Know Law

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The Board did not fully comply with the State’s Right-to-Know law, RSA 91-A. We found the Board did not meet the minimum standards established for what must be included in *non-public* Board minutes and did not appropriately use the emergency meeting provision.

#### Non-public Minutes

The Board’s non-public session meeting minutes did not contain enough detail to identify the issues discussed. For example, non-public meeting minutes stated only, “Discussion followed on personnel issues” or “A discussion of legal matters.” Of the 25 non-public meetings conducted during the audit period, none provided sufficient information to determine the subject matter as required. RSA 91-A required meeting minutes include “a brief description of the subject matter discussed.” The Department of Justice’s Right-to-Know memorandum states:

Minutes must be taken regarding matters addressed in non-public session, including documenting any action taken. The minutes of non-public sessions are public documents unless the public body determines by a recorded vote of the body that the minutes are properly made non-public, often called “sealed.” Sealed minutes must be unsealed and made public as soon as the circumstances justifying sealing no longer apply.

Without adequate minutes during non-public sessions, the Board may not be able to review past discussions and how decisions were reached. The content of non-public session minutes provides no real value to the Board as most offer no description of the subject matters discussed.

#### Emergency Meetings

We also reviewed justifications for emergency meetings called by the Board during the audit period. Out of 11 emergency meetings, only two appeared to meet criteria established in RSA 91-A. The remaining emergency meetings dealt with nominations of executive officers, personnel matters, approving tuition rates, and approving a purchase and sales agreement. According to the Department of Justice’s Right-to-Know memorandum, an emergency “means that immediate action is imperative and the physical presence of a quorum is not reasonably practical within the period of time requiring action.” By calling emergency meetings for non-emergencies, the public was potentially denied the opportunity to attend Board meetings.

#### Recommendation:

**We recommend the CCSNH Board ensure more detailed minutes are taken during non-public sessions and emergency meetings are only called under statutorily allowable circumstances.**



Auditee Response:

*We concur.*

*Over the past year, the executive assistant to the board of trustees has been working on preparing more detailed minutes taken during non-public sessions.*

*The CCSNH board includes voting members from across the state, in keeping with our statewide mission and the statutory construction of the CCSNH board. While better planning for agenda items such as contract approvals may reduce the need for emergency meetings, certain personnel matters such as appointment of an interim president may not always be planned. Given the statutory requirement that a quorum must be present at the location the meeting is held except for emergencies, it is not always practical for the board to meet in person where action is necessary between its regular meetings given the significant distance many members of the board (who represent all the regions of the state) must travel.*

**Observation No. 3**

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**Clarify The Role And Funding Of The Chancellor's Office**

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There was insufficient direction in policy specifying the role of the Chancellor's Office. As a result, we could not evaluate the effectiveness of the Chancellor's Office operations.

**Responsibilities**

It was unclear what the CCSNH Chancellor's Office staff were responsible for: overseeing operations of the colleges or merely operating the Chancellor's Office. For example, each college had accounting staff, but they reported to their respective Presidents rather than the Controller or the Associate Vice Chancellor for Finance and Strategic Planning. The Chancellor's Office also had accounting staff, creating confusion about job responsibilities within CCSNH. For instance, we found CCSNH staff were unsure who should reconcile credit card transactions, whether at the community colleges or the Chancellor's Office. Further complicating matters, certain functions like collections and accounts payable were administered by the Chancellor's Office at one point, but were later moved to the community colleges due to a lack of funding.

Insufficient organizational clarity about the role of the Chancellor's Office also related to the operational direction of CCSNH. At least one member of CCSNH's senior management said they do not know if CCSNH was moving toward greater coordination or toward greater autonomy for the community colleges. Because of this lack of organizational clarity, CCSNH risks inefficient and ineffective operations.

**Funding**

There was also no methodology in policy for how CCSNH would fund the Chancellor's Office. From SFY 2012 to SFY 2015, the Chancellor's Office was funded by receiving 6.1 percent of

tuition and fees from each of the colleges. However, in SFY 2016 this practice was discontinued in favor of a lump sum approach, though there was no methodology given for the amount required from each community college. One member of CCSNH management said the lump sum determination was arbitrary. As of February 2017, CCSNH management spoke of moving back to a shared services model, in consultation with staff at the community colleges.

Tuition for online courses was handled differently, with 10 percent of revenue collected for each online credit sold allocated to the Chancellor's Office. A CCSNH manager said the 10 percent amount was arbitrary, and had not changed even though staff originally required to run the programs at the Chancellor's Office had been cut. Instead, the funds collected by the Chancellor's Office for online education courses had been reportedly funneled to other programs. CCSNH risks inefficient use of funds without creating a logical methodology for how the community colleges will fund the Chancellor's Office, and how management will allocate tuition revenue from online courses.

**Recommendations:**

**We recommend the Board specify in policy the role of the Chancellor's Office with regards to the community colleges.**

**We recommend CCSNH management develop policies and procedures to guide Chancellor's Office operations, defining which responsibilities are covered at the CCSNH system level and which are covered at the community college level. CCSNH management should also create logical and transparent methodologies for how to fund the Chancellor's Office and how to allocate revenue from online education tuition to facilitate planning and budgeting within the organization.**

**Auditee Response:**

*We concur in part.*

*CCSNH is actively working with all the college presidents and the board to allocate funding that brings enhanced clarity to how such funding is apportioned to shared services and the chancellor's office. See also Observation No. 19.*

*While CCSNH is always considering ways to achieve greater efficiency and effectiveness in its operations, we do not concur that there is insufficient clarity about the role of the chancellor's office currently. An organizational chart exists for the office, which provides for finance, communication, human resource, IT, legal and risk management functions. Each chancellor's office employee position has a summary job description that sets forth the chancellor's office position responsibilities. Similarly, each college employee position has a summary job description that sets forth the college position responsibilities. Employees in functional areas such as human resources, finance and IT from across the colleges meet regularly with chancellor's office staff serving in those functional areas. While there may be gaps in isolated processes, such as reconciliation of credit card transactions, such isolated gaps do not necessarily evidence lack of organizational clarity overall. Finally, in an effort to increase*

*efficiency and effectiveness, CCSNH under the guidance of the board and college presidents is moving in the direction of greater centralization in some functions and less centralization in others depending upon the nature of the function.*

#### **Observation No. 4**

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#### **Severance Policy Needed**

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The Society for Human Resource Management (SHRM) recommends having “a clearly written and communicated” severance policy. According to the SHRM, “[e]mployers providing severance pay must be consistent in the treatment of whom they award severance pay to.” While CCSNH policies and the collective bargaining agreement established termination pay (e.g., the paying out of accumulated annual leave) for both unionized and confidential employees, it lacks similar standards for severance payments beyond those required that some employees received. The Associate Vice Chancellor of Human Resources Planning and Development reported there was no policy because he worried “about the unique circumstances where a set policy may not adequately provide a palatable path for an existing employee and/or provide an organization the opportunity to best manage risk.”

There was a wide discrepancy on how employees were treated when separating from CCSNH. We determined CCSNH paid out nearly \$350,000 in severance pay for several confidential employees who left CCSNH employment during the audit period. The severance received varied and we found no discernable reason in the personnel files why the amount received by one employee differed from another. Severance for employees covered by collective bargaining agreements was limited to the number of days of annual leave remaining to his/her credit.

The SHRM states, “a carefully structured pay package can be a useful tool in softening the blow associated with terminations and in discouraging former employees from pursuing lawsuits against an employer.” Without a severance agreement policy for confidential employees, CCSNH may not treat terminated confidential employees equitably when severed for reasons other than for cause. While there may be extenuating circumstances that may influence the amount of severance provided, a policy could at least establish a framework for determining a fair amount, if any, and may also address the approval process for severance agreements.

#### **Recommendation:**

**We recommend CCSNH management develop and implement a severance policy for its confidential employees. Additionally, CCSNH management may wish to seek Board input on the use and limits of severance payments in various situations.**

#### **Auditee Response:**

*We concur in part.*

*The Society for Human Resource Management’s sample policy addresses payment for years of service, accrued annual leave, and insurance benefits. CCSNH Board Policy 345 provides for*

*payment of severance based upon years of service to certain executive and administrative positions; otherwise, CCSNH policy does not provide for payment of severance based upon years of service. While CCSNH has not established a board or system policy for payment of accrued annual or sick leave or insurance benefits, payment upon termination for these categories is provided for within collective bargaining agreements for covered employees and within a handbook for administrative, managerial, professional and operating support staff exempt from the collective bargaining process. For example, in the 2015-2017 CBA for the Staff Bargaining Unit payment of annual leave upon separation from employment in Article 20.6 that clearly states that no payment of accrued but unused annual leave will be made upon separation of employment during the probationary period but that covered employees otherwise, who resign, retire, or are dismissed, generally shall receive a sum equal to the number of days of annual leave remaining to his or her credit. The CBA contains a similar provision with respect to circumstances under which payment will or will not be made upon separation for accrued but unused sick leave. Section 8 of CCSNH's handbook for employees exempt from the collective bargaining process similarly contains provisions setting forth the circumstances under which payment will or will not be made upon separation for accrued but unused annual and sick leave. We concur that a written policy may be helpful to direct employees to the provisions set forth in the collective bargaining agreements or confidential handbook, as appropriate, that inform them how their accrued leave pays out upon separation, i.e., severance pay.*

*As related to severance pay beyond the legal obligation set forth in policy, a collective bargaining agreement or employee handbook, there are infrequent and unique occasions when a settlement is reached to resolve a dispute and/or appropriately manage risk for the Community College System of New Hampshire. Such settlement may involve employees covered by a CBA as well as employees exempt from the collective bargaining process. These settlements may need to be "carefully structured" as referenced above, based on the specific situation. CCSNH does not feel that it would be prudent or feasible to develop a policy to address such widely varying circumstances.*

#### **Observation No. 5**

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#### **Fleet Management Policies And Procedures Needed**

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We found CCSNH had not established policies and procedures to govern its fleet of vehicles, and instead relied upon informal practices to make decisions regarding requisition, utilization, assignment, and replacement. CCSNH had one policy relative to automobile safety. CCSNH had a fleet of 54 passenger vehicles, sport utility vehicles, and light trucks during SFY 2016 located throughout the State. Vehicles were typically shared by faculty and staff when needed to attend to CCSNH business. However, the seven Presidents and the Chancellor each had vehicles assigned to them. While all Presidents use their vehicles for CCSNH business, some Presidents also use their vehicles for commuting and personal purposes.

Proactively managing vehicle assignment and use is essential to ensuring resources are used prudently. Assessing and monitoring vehicle utilization; establishing uniform policies and procedures; establishing preventive maintenance and vehicle disposal programs; and capturing timely, accurate, and complete management information are critical components of an efficient

and cost effective fleet management program. Industry practice recommends routinely reviewing utilization statistics to determine if vehicles meet established minimum mileage or daily use targets, or identifying if alternative methods of providing transportation, such as commercial renting or reimbursing for private vehicle use, is more practical. While CCSNH did track the personal use of its vehicles to report to the Internal Revenue Service as a non-cash fringe benefit, it did not have written policies on what characterizes personal use.

Establishing uniform policies and procedures clearly outlining fleet management principles provides an organization with consistent guidelines over vehicle management; improves control over costs and operations; standardizes processes in multiple locations; and reduces confusion, questions, and errors. Industry best practice recommends a central authority develop policies and procedures with contribution from all major operating units within the organization.

**Recommendation:**

**We recommend CCSNH management develop and adopt CCSNH level policies and procedures incorporating leading fleet management practices. Once established, CCSNH management should monitor employee compliance with policies and procedures to ensure they are consistently applied.**

*Auditee Response:*

*We concur.*

*CCSNH agrees that it should establish system-wide policies and procedures for fleet management including monitoring compliance with such policies and procedures.*

**Observation No. 6**

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**Capital Planning Procedures Needed**

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CCSNH did not have procedures for capital planning and acquisitions between SFY 2012 and SFY 2016. According to CCSNH management, procedures were near completion in early 2017. We identified multiple instances where procedures may have mitigated additional CCSNH costs. In 2011, CCSNH purchased a building for \$300,000 and sold it for \$75,000 in 2015 after finding out it was not appropriate for its planned use, incurring a loss of \$225,000. Furthermore, in an effort to address flood damage for the former Lebanon College property it purchased in June 2015, CCSNH uncovered previous flood damage. In another instance, one college's project required a \$1,450,000 increase due to an inaccurate initial project cost estimate. As a result, the community college borrowed \$600,000 from another community college to cover potential shortfalls.

Board Policy 522 states, "[t]he Chancellor shall be responsible for developing and carrying out prudent procedures for the acquisition of real property, which will protect the financial and legal interests of the CCSNH System." Policy also dictates, "procedures will include the manner by which fair market value of the property is determined, the obtaining of assessment studies, the

securing of expert opinion concerning land-use and environmental impacts and/or liabilities that may be associated with property acquisitions, and the conduct of negotiations leading to such acquisitions.”

Policies reflect the objectives of an organization and establish a design for implementation. Policies are implemented through procedures which are carried out on a continual basis and help achieve policy objectives. Without policies and procedures, management and personnel may have different standards and expectations with regards to what due diligence is required for capital planning and acquisitions. Robust policies and procedures that are followed may allow CCSNH management to mitigate potential losses and unforeseen costs of capital projects in the future.

**Recommendation:**

**We recommend CCSNH management establish policies and procedures for the acquisition of real property as required by Board policy, and complete the capital planning policies and procedures manual currently being drafted.**

*Auditee Response:*

*We concur.*

*The capital planning and development manual, which effectuates existing Board policy, has been drafted. The procedures set forth therein and related system policies will be adopted in the next six months.*

*We would note in response to an example cited in the Observation that as capital projects evolve from planning stages through completion, often over a number of years, changes in scope and cost (of materials, labor, etc.) may occur. CCSNH works to manage such developments within its resources in order to achieve project completion and the achievement of needed outcomes.*

**Observation No. 7**

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**Ensure Campus Master Plans Are Current**

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The Chancellor’s Office did not ensure CCSNH colleges maintained up-to-date Campus Master Plans required by Board policy. Board policy defines a Campus Master Plan as, “[a] comprehensive long-range plan that will guide the physical development of an institution for 10 or more years. A Campus Master Plan addresses all aspects of the institution including physical plant, real estate, changes in academic programs, and administrative structure.” Current Campus Master Plans were not available. Three colleges reported their master plans were in draft form, two provided outdated master plans, one did not have a master plan, and one reported they did not have a master plan due to funding and had no plans to expand in the future. We reviewed Board meeting minutes from SFY 2012 to SFY 2016 and identified only one mention of a Campus Master Plan related to one college in August 2015.

In performance of oversight functions, management is responsible for ensuring the strategic direction of the institution. This includes exercising oversight over the implementation of policies and procedures. As a result of not maintaining current campus master plans, CCSNH may not react in a well-informed manner to potential financial issues and determine the sustainability of future short-term and long-term capital planning activities.

**Recommendation:**

**We recommend CCSNH management ensure master plans are updated according to policy.**

**Auditee Response:**

*We concur.*

*While CCSNH Board policy requires campus master plans and sets forth what such plans must include at a minimum, not all colleges have a completed campus master plan. In part, this reflects a number of relatively recent developments, such as changes in enrollment trends since 2011, increased partnerships with high schools and NH employers, and an increase in online course delivery. Specifically, in recent years, enrollment, which had increased steadily from 2000-2011, has levelled off since 2011 with the recovery of the economy and associated decline in community college enrollment nationally. Additionally, CCSNH has created new partnerships with high schools and employers that includes offering some training and education at those locations, and online course enrollment continues to grow across the community college system. These factors have required our colleges to re-assess earlier assumptions regarding facilities expansion needs, and such reassessment must be incorporated into campus master plans. CCSNH also needs to ensure the campus master planning process incorporates a system-wide look at program location that minimizes unnecessary redundancy between our colleges. Finally, while we agree that having updated master plans is important, following such a plan is made somewhat challenging since effectuating the plan is very reliant on the appropriation of state capital funds every two years, which is unpredictable.*

*Management will work with the colleges toward the goal of having current master plans in place by the end of FY18.*

**Observation No. 8**

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**Ensure Uniform Understanding Of Credit Transfer Policy**

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CCSNH management did not have a uniform understanding of System Policy 650.05 regarding minimum grade standards for transfer of academic credits. According to the policy, students must have earned a grade of “C” or better to transfer academic credits. This policy applies to credit transferred from institutions both internal and external to CCSNH. It does not allow colleges any degree of flexibility in accepting grades below a “C.” However, in conversations with CCSNH Presidents, Vice Presidents of Academic Affairs, and Registrars, we found several

individuals who said their institution would accept courses with a “C-,” and in one case, a “D.” One member of management said CCSNH system policy requires a minimum grade of “C-,” while another said CCSNH system policy required a minimum grade of “C+” for transfer.

Statute requires CCSNH “provide a well-coordinated system of public community college education....” While we know of no instances of courses being transferred against CCSNH System Policy 650.05, the confusion regarding credit transfers evidences a lack of coordination among the institutions. If staff do not have a uniform understanding of this policy, CCSNH potentially risks accepting credits for courses with a grade less than a “C.” Furthermore, CCSNH risked internal confusion among staff and students if colleges assumed credit transfer standards were different than what was specified in CCSNH system policy.

Some CCSNH officials indicated in some circumstances staff may have an appropriate reason to accept credits for a class where the student received a grade lower than policy allows. However, the current policy had no procedures for accepting and documenting such a transfer.

**Recommendation:**

**We recommend CCSNH management ensure uniform understanding of credit transfer policies through clarifying current policy and training staff.**

**Auditee Response:**

*We concur.*

*System Policy 650.05 TRANSFER CREDIT states:*

*Students outside the CCSNH may transfer credits earned at accredited institutions to their CCSNH College programs by providing transcripts of work completed, evidencing a grade of “C” or better. Catalogs from institutions attended with course descriptions for which transfer credit is sought, if available, may be required. Acceptance of transfer credit shall be determined by the CCSNH College based on the evidence provided and judged by the College to be equivalent in nature and content to program offerings. Students may transfer credits from within the CCSNH by following the same process outlined above.*

*The policy is clear, straightforward and easy to apply with respect to the C minimum. Over the audit period, during which hundreds of thousands of grades were issued, the auditors were not aware of any “instances of courses being transferred against system policy.”*

*CCSNH recognizes that the policy could use some improvement allowing transfer of both the credit and grade associated with the course at least for colleges within CCSNH and clarification with respect to the standards to be applied in determining course equivalency. To that end, CCSNH intends to review and revise system policy 650.05 in a manner that will among other things bring it in line with state systems of separately accredited colleges across the country that*



*transfer both precise grade and credit. Only a few individuals are authorized to post transfer credit, which prevents its misapplication. This is common practice in higher education.*

## **Observation No. 9**

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### **Evaluate Use Of Tuition Vouchers For Running Start Program**

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The Running Start program was designed to enable high school students to get an early start on their college education while earning credits towards their high school degree. Running Start courses were taught by high school teachers in their own schools with oversight provided by CCSNH. Tuition for Running Start was \$150 a class, and was paid to the community college overseeing the course. High school teachers were given CCSNH tuition vouchers as compensation for teaching the Running Start classes. Each voucher was worth three credits of community college courses, or about \$600. CCSNH staff said some teachers give their tuition vouchers to family, friends, and students rather than using the tuition waivers themselves. We were also told tuition vouchers are given out to others such as high school academic counselors.

Management at some colleges said they processed disproportionately more Running Start vouchers than other institutions. One CCSNH manager stated individuals come from across the state to use Running Start vouchers at their community college, suggesting uneven distribution of financial liability. The number of vouchers processed varied significantly by college. For instance, one college processed \$668,602 in Running Start vouchers between SFY 2012 to SFY 2016, more than five times the \$116,296 of vouchers processed at another college during the same time period. CCSNH also identified at least five cases where a student made copies of the tuition vouchers and used them to pay for classes. After the fraud was discovered, CCSNH put tracking numbers on each voucher to ensure each document was used only once. Nevertheless, CCSNH staff were unable to tell us how many Running Start tuition vouchers were still valid, but had not been used.

According to the U.S. Government Accountability Office, management should identify risk throughout the organization. Based on these risks, management should create controls to mitigate possible negative impact. CCSNH risks uneven distribution of financial liability across CCSNH unless it creates a mechanism to fairly distribute revenues and costs associated with the Running Start program.

#### **Recommendations:**

**We recommend CCSNH management evaluate whether a revenue and cost sharing mechanism is needed for its Running Start program. CCSNH management should also improve program monitoring of Running Start, specifically with regards to tracking outstanding vouchers across CCSNH.**

#### **Auditee Response:**

*We concur in part.*

*Improving oversight on Running Start waivers is high priority for CCSNH, as is fixing voucher processes, and for these reasons, we partially concur with this finding. In addition, as the audit notes, CCSNH does, in fact, now number its Running Start vouchers to remove potential for duplicate use as a way to remedy a problem that existed in the audit period. CCSNH does have a system in place to track by term which tuition vouchers have been given to each instructor. Reports are also available in the student Banner system to track by student which vouchers have been redeemed. CCSNH will continue to improve monitoring of the Running Start program, which will include the tracking of outstanding vouchers across CCSNH.*

*Vouchers, as the auditors note, are given to high school instructors as a form of compensation for their work associated with the program, and may therefore be used by them or given at their discretion for use by another person interested in attending a NH community college. CCSNH intends to make the voucher process more officially documented, but the provision to teachers is to purposefully leave to their prerogative the voucher recipients.*

*We had a discussion with the auditors about their concern that use of the course vouchers is disproportionate across the seven colleges, leading to uneven distribution of financial liability. Running Start is a state-wide program designed to increase access to higher education for NH students, and therefore we would not seek through a parochial lens to reduce student choice as to which college they enroll in and at which they use a course voucher. Accommodating a student who brings a voucher for one course does not displace a paying student and ultimately, can lead to additional full-pay enrollment at that college, thereby benefitting the college that processes the initial voucher. Such a result is consistent with the purpose of the Running Start program.*

## **Observation No. 10**

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### **Reevaluate Administrative Structure At Smaller Colleges**

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The smallest community colleges, LRCC, RVCC, and WMCC, had significantly different administrative staffing structure despite similarities in enrollment and funding levels. RVCC had between one to four additional confidential employee positions during the audit period compared to WMCC and LRCC, except in SFY 2014. These positions included an Associate Vice President of Academic Affairs (AVPAA), an Associate Vice President of Student Affairs (AVPSA), a Human Resources Officer (HRO), and a part-time Special Project Assistant to the President. Though the Special Project Assistant to the President position was discontinued in September 2016, RVCC had two AVPAAs (one each in charge of its Lebanon and Keene Academic Centers), as well as an HRO. Meanwhile, LRCC did not have any AVPAAs or an HRO, and tried to share human resource functions with another community college. On the other hand, WMCC had two academic centers (Littleton and North Conway) similar to RVCC, but did not have any AVPAAs. Both LRCC and WMCC consolidated human resource responsibilities with the President's Executive Assistant in an effort to save costs from hiring additional personnel.

CCSNH management could not identify any reasons for staffing differences with RVCC compared to LRCC and WMCC, other than each college President's discretion. One CCSNH

manager said they try to “overlap” responsibilities at their institution to minimize the number of positions and save costs. It was not clear if the additional staff at RVCC were performing tasks that management could “overlap” and consolidate into fewer positions. As a result, CCSNH risks inefficient use of public funds at RVCC.

**Recommendation:**

**We recommend CCSNH reevaluate administrative staffing practices at LRCC, WMCC, and RVCC, and make changes to increase efficiency. CCSNH should evaluate the efficiency of current administrative staffing at academic centers.**

**Auditee Response:**

*We concur.*

*Managing rural colleges where enrollment is lower presents administrative challenges, particularly when a college serves a large geographic area through satellite campuses. While these academic centers serve CCSNH’s mission to provide access to learning across the state (e.g., to include it’s less populated areas), they also require appropriate administration and many of the same services of a larger campus such as faculty and academic support, advising, maintenance and security.*

*Towards increasing efficiency and streamlining services in two crucial areas at RVCC, the college recently consolidated the positions of vice president of academic affairs and vice president of student affairs. In addition, RVCC has also refocused the two satellite academic center positions of associate vice president of academic affairs, to directors to allow for a primary focus on student enrollment and retention as well as revenue generation through workforce development and continuing education.*

*CCSNH will continue to explore shared functions, where appropriate, at our smaller colleges (LRCC, WMCC, and RVCC). The focus will be on positions with more independent work, requiring less face-to-face interactions with students and other employees.*

**Observation No. 11**

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**Consider Expanding Internal Audit**

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According to the Institute of Internal Auditors, internal auditing can help an organization “accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” The Board and CCSNH senior management should be able to rely on internal audit to identify potential and actual problems, and provide workable improvements.

CCSNH may benefit from expanding its internal audit function. According to the Institute of Internal Auditors, organizations can only use statements on conformity with *International Standards for the Professional Practice of Internal Auditing (Standards)* when supported by the

results of an external quality assurance and improvement program. CCSNH had not undergone such a review. Although CCSNH's internal audit reports did not claim to comply with *Standards*, CCSNH's Internal Audit Manual states it functions within the framework of the *Standards* as adopted by the Institute of Internal Auditors.

The reporting structure within CCSNH was problematic for conforming with the organizational independence standard. The Internal Audit function at CCSNH was staffed by one auditor, the Internal Audit Director. According to the Internal Audit Manual, this position reports to the Vice Chancellor. However, CCSNH had not employed a Vice Chancellor since January 2015. The Internal Audit Director's supplemental job description stated the position reports to the Chair of the Board's Finance Committee and to the Director of Legal, Risk Management, and Compliance for day-to-day oversight. *Standards* require the chief audit executive to report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. Having the Internal Audit Director answer administratively to the Chancellor may better serve CCSNH's purposes. *Standards* require internal auditors enhance their knowledge, skills, and other competencies through continuing professional education. CCSNH did not provide any continuing professional development to its internal auditor during the audit period. *Standards* also require engagements to be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. This was not possible given the staffing limitations.

Prior to August 2011, the Internal Audit department employed two staff auditors and the Director of Internal Audit. However, due to budgetary constraints, the two staff auditors were laid off and only the Director position remained. Without adequate staffing, the Internal Audit Department was unable to comply with *Standards* and may not have effectively performed its duties. Problems discussed elsewhere in this report may have been identified earlier had CCSNH had a more robust internal audit function.

**Recommendation:**

**We recommend CCSNH management consider expanding its internal audit function and work towards implementing leading industry practices for internal auditing.**

**Auditee Response:**

*We concur.*

*Internal Audit is an extremely valuable function to an organization. As important is having our internal auditor well versed in appropriate industry standards and best practices. To that end, we will support training and professional development that will allow our director of internal audit to enhance her skills and expertise to the benefit of CCSNH.*

*We will also consider expanding or providing additional support to our internal audit function should sustainable funding become available.*

**STATE OF NEW HAMPSHIRE**  
**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**FINANCIAL MANAGEMENT**

Financial operations of the Community College System of New Hampshire (CCSNH) were overseen by the Associate Vice Chancellor for Finance and Strategic Planning. This position was created in December 2012 and became vacant in 2016. A new Associate Vice Chancellor for Finance and Strategic Planning was hired after the audit period and was assisted by a Controller who was a Certified Public Accountant.

Documented policies and procedures are an essential aspect of operating an organization and ensuring activities are performed consistently while meeting organizational objectives. We found several key areas of financial operations where policies and procedures had not been developed, leading to inconsistent practices across CCSNH. Management is responsible for developing policies, procedures, and practices as part of a comprehensive system of controls over agency operations.

We found CCSNH did not have accounting policies and procedures established during the audit period. It also lacked long-term financial planning that could help guide financial decisions and policies and procedures related to budgeting. During the audit period there were no written processes to estimate revenues and expenditures or procedures in place to guide the budgetary process.

CCSNH procurement process made us question the fairness of some procurements. Our observation suggested CCSNH would benefit from more robust procurement policies and procedures in order to ensure a fair and transparent procurement process. We also found insufficient oversight and a need for strengthened internal purchasing controls. We identified several purchases made by executive management which, at best, were of limited benefit to the mission of CCSNH, including spending approximately \$34,000 on a presidential inauguration. CCSNH management could also improve controls over purchasing cards by implementing best practices.

Mechanisms in place to process and approve educational benefits for CCSNH were insufficient to accurately identify and report educational benefits received by some employees. We found CCSNH did not appropriately report income to the Internal Revenue Service (IRS) for one employee partly due to the unusual nature of the transactions. In addition, there were five other employees who received educational benefits that were not reported to the IRS over the course of several years.

While CCSNH received approximately \$40.1 million per year during the audit period in State funds, CCSNH did not have formal policies and procedures established to allocate funds to each college and the Chancellor's Office. As a result, we noticed disparity in the amount of State aid per student at the different colleges.

CCSNH did not have a standard procedure for handling "no show" students. We also found CCSNH staff did not review tuition waivers each semester as required by policy.

Over the course of our fieldwork, we met with members of management from all seven community colleges. Based on concerns expressed by management and a review of reports generated by CCSNH's computer system, we found CCSNH should prioritize improving financial reports.

Fundraising efforts and practices also varied at each community college. An internal audit conducted by CCSNH identified the issue in September 2015; however, policies and practices at each college and their involvement with the Community Colleges of New Hampshire Foundation (Foundation) still varied.

We found the potential for fraud related to in-person cash payments at individual colleges that could go unnoticed due to procedures used at the colleges. We also found CCSNH could improve transparency by posting its financial reports and budgetary presentations on its website making them easily accessible to the public.

### **Observation No. 12**

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#### **Financial Policies Needed**

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CCSNH did not have accounting or reserve policies during the audit period. Though CCSNH adopted an investment policy in April 2016, it was not until the final months of the audit period.

While CCSNH accounting policies were in development at the time of our request, we were provided with a draft of accounting policies which only included a table of contents. We also discovered CCSNH did not have a policy to govern college reserve funds. A reserve fund, also known as a "rainy day fund," is an unrestricted fund used to mitigate the impact of future risks and unforeseen costs. The Board had identified the need for a reserve fund policy in August 2014, but it remained unaddressed during the audit period. The Board also entered into a relationship with an investment company in April 2014, but an investment policy was not adopted until April 2016. As of April 2017, the investment policy had not yet been posted to the CCSNH's website.

The Government Finance Officers Association (GFOA) developed best practices for governmental entities and community colleges. GFOA has recommended institutions document their accounting policies and procedures. Management should make policies and procedures accessible to all relevant personnel. Management should adopt a reserve fund policy to provide guidance on how to use the fund and under what circumstances.

Management should periodically review control activities to ensure policies and procedures remain relevant, effective, and align with current objectives. Policies and procedures should provide sufficient detail to allow management to effectively monitor control activities. Without documentation of policies and procedures CCSNH risks staff conducting activities contrary to the intent desired by management.

**Recommendations:**

**We recommend CCSNH management complete and adopt accounting policies and procedures. We also recommend CCSNH management develop a reserve fund policy and incorporate their investment guidelines within existing Board policies available on the CCSNH website.**

**Auditee Response:**

*We concur.*

*CCSNH concurs with the auditors on the critical importance of having strong accounting policies and procedures, and, especially, on the essential need to build reserves so as to have, as the auditors put it, a “rainy day” fund. CCSNH drafted and is following an investment policy, which secures management of funds and differentiates investment account types by liquidity needs. CCSNH manages cash flow targets and adopts investment strategy in concert with a Board of Trustees’ subcommittee on investment.*

*In addition to investment policy, as the auditors note, CCSNH is drafting a set of accounting practices and processes to augment the approximately one hundred pages of finance policy documentation already in use and publicly accessible via our website. CCSNH will emphasize process and practice in the accounting documentation we will draft, over extended codification of policy. Finally, CCSNH is finalizing five-year planning for reserve targets per college and providing practices for building towards reserves, with any budgetary ramifications for policy to be introduced from the Board Finance Committee to the full Board of Trustees by September 2017. Reserves increase is a fundamental principle of our recently launched Financial Sustainability Task Force, an initiative undertaken with the Board of Trustees to reduce expenses, generate revenue, and better manage financial performance.*

**Observation No. 13**

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**Develop Long-term Financial Plans**

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CCSNH did not develop any long-term financial plans during the audit period. We requested long-term financial plans (other than budgets) from CCSNH and were informed in January 2017 there were none, but were told CCSNH was in the process of creating an ad hoc committee to develop long-term financial plans. As far back as December 2015, the Chancellor also stated in his quarterly newsletter that a “five-year financial planning process” was in development with collaboration from the college Presidents, but we found no evidence of a plan having been completed.

Without the benefit of a long-term financial plan, CCSNH embarked on a strategy to reduce tuition from \$210 per credit hour for in-state students to \$200 per credit hour beginning with the Fall 2014 semester, with a goal of ultimately reducing tuition for in-state students to \$190 per credit hour. The CCSNH sought and received additional operating revenue from the State to compensate for the reduction in tuition revenue. Also in 2014, the Chancellor created five new

positions within the Chancellor's Office, including two Associate Vice Chancellor positions while leaving the Vice Chancellor's position open. These additional positions were unbudgeted and were paid for using CCSNH's Strategic Initiative Fund and other reserve funds. The positions were purported to fulfill federal requirements, monitor compliance, and address an audit deficiency.

GFOA recommends colleges develop forecasts for five years into the future. Long-term projections should include figures such as revenue, expenditures, and enrollment numbers. Long-term planning allows a college to think more strategically in formulating its budgets and priorities. Without long-term financial planning, CCSNH may not sufficiently address potential financial issues, and determine the sustainability of current and future services.

**Recommendation:**

**We recommend CCSNH management develop policies and procedures to generate long-term financial plans.**

**Auditee Response:**

*We concur.*

*The auditors are correct to recommend CCSNH develop better long-term policies and procedures for financial planning, including and especially five-year financial planning. This is true for many educational institutions and other organizations. We do, however, have concerns with many of the statements in this observation that do not provide context for planned decisions on hiring and tuition decrease, or that assume a lack of planning.*

*For example, the audit report notes the creation of new positions in the Chancellor's office. Changes made in staffing over a period of time were intentionally planned, to meet changing needs and adapt to new technologies, as the organization continued to evolve. The functions of these positions within the areas of finance, HR, compliance and risk management were identified and confirmed by the Board of Trustees as priority, given our transition from a state agency to a self-governing statutory corporation. In addition, it should be noted that these positions did not result in an increase in overhead at the System office. In fact, as part of a broader intention to realize efficiencies within the system office's infrastructure, salary expenses actually reduced 12.6% in 2015, and an additional 3.5% in 2016.*

*The tuition reduction and freezes in tuition over the audit period are important for New Hampshire families and students. They are also designed to keep high school students from leaving New Hampshire to go to college out-of-state – this is not merely a financial consideration for CCSNH but one impacting the state's overall mission to have 65 percent of students attain a credential of economic value by 2025. Prior to the audit period, the "solution" to a budget shortfall was to raise tuition. From 2001 to 2011, tuition jumped 75 percent to the second highest in the nation. Ways to achieve efficiencies were not sufficiently explored prior to 2013 – a persistent problem to the detriment of students and their families paying for college. Put simply, if we want our working-age adults to afford to keep their skills in-line with NH*



*employer's needs, we have to find a way to control tuition costs. Affordability and access are central to the mission of a community college. Therefore, in FY15, we reduced tuition by 5% (from \$210 to \$200 per credit), funded by specific state appropriation to offset the cost of the reduction.*

*Although revenue decline derived from tuition pricing, this was overshadowed by the enrollment decline with the "counter-cycle" nature of community college enrollment relative to the economy. During periods of recession, when more people are out of work or need to re-tool their skills, enrollment grows. As the economy picks up, enrollment tends to flatten or decline. As states have emerged from recession, community colleges across the nation are experiencing declines in enrollment and negative revenue impacts. This, plus other competitive forces, affects our industry. A scan of higher education headlines across the country demonstrates such forces are affecting colleges nationally, resulting in layoffs, program impacts, outright closures and other forms of retrenchment. Although CCSNH enrollment is below the peak we experienced during the recession, our enrollment is performing well relative to national trends, and, for the region, CCSNH is the only system to see an increase in credits sold over the audit period.*

*The audit is correct we must do more to do five-year planning. CCSNH recently launched a financial sustainability effort to look at expense reduction and performance management alongside monitoring revenue generation. This effort is undertaken under the authority of the Board of Trustees, with a set target of significant reserves increase by 2022. The financial sustainability effort includes not only five-year financial projections, but savings, maintenance, payroll, and revenue targets as a proportion of overall projected budget size. We will continue to improve on budget planning processes and datasets that do, in fact, exist today.*

#### **Observation No. 14**

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#### **Budgeting Policies And Procedures Needed**

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The CCSNH Chancellor's Office coordinated budget preparation, approval, and monitoring. With respect to budget preparation, the Chancellor's Office provided the colleges with templates and other guidance to project revenue and expenditures to be used in developing budgets. CCSNH policy requires Board approval prior to presentation of the budget to the Governor and Legislature. The Chancellor's Office also monitored the budget once implemented by providing the colleges quarterly reports on expenses and revenues, including comparisons to prior year actuals alongside projections for revenues, expenditures, and income for the close of the fiscal year.

CCSNH, however, lacked written budgeting policies and procedures during the audit period. For example, there were no written policies or procedures addressing how to estimate revenues and expenditures, and how CCSNH develops and approves its budget request. CCSNH financial policies had a section on operating budgets, but the focus was on delegation of authority rather than the mechanics of how the budget is created, responsibility for coordinating it, forms to be used, timelines, and budget monitoring.

Policies and procedures are standard control activities designed to guide and enforce management's directives. Policies and procedures are also critical tools to help ensure actions are taken to address risks. Without written policies and procedures management may inconsistently prepare, approve, and monitor the budget, and turnover may lead to increased risk of inconsistent budgeting practices. These tools are integral to an entity's stewardship of resources and achieving effectiveness.

**Recommendation:**

**We recommend CCSNH management adopt written policies and procedures which define and describe CCSNH's budget development, approval, and monitoring processes, and include the responsibilities of key budget positions, data and documents that should be used by staff, and a timeline for developing the budget.**

**Auditee Response:**

*We concur.*

*The auditors are correct to focus on the need for more written procedures, particularly to enhance clarity and transparency, and to support continuity in the event of turnover of key personnel. CCSNH is meticulous and analytical in crafting budgets, in undertaking the utmost rigor and depth in crafting legislative requests, and in ongoing monitoring of budget and spend to-date. For legislative purposes, which, for FY18-FY19 biennium fall outside the audit period, CCSNH undertook minute projections by spend type to establish funding requests for personnel, each benefit type, as well as for tuition stabilization and potential reduction.*

*Also outside the audit period, CCSNH added depth to reporting – sharing bi-weekly income statement metrics and tracking projected net position for end of year, to help the colleges with ongoing budget forecasting. The Chancellor's Office provides operating margins per academic program, as well as other data and principles guiding operating budget construction.*

*All of the above is in addition to nearly a hundred pages on extant financial policy.*

*The auditors are correct to identify a need for more written documentation for budgetary work and it is critical we record the practices and processes that have guided budgetary estimates to date. Although CCSNH must add more detail to budgeting policies and procedures, and formalize in writing the principles embedded and implied in templates used, our practices for creating and monitoring budgets and requesting allocations are detailed, accurate, and precise.*

**Observation No. 15**

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**Procurement Policies And Procedures Needed**

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CCSNH policies and procedures lacked sufficient detail to guide procurement of commodities and services across CCSNH. Commodity purchases valued over \$25,000 were handled by the Chancellor's Office, while contracts for services valued over \$25,000 were handled by the

Chancellor's Office or the community colleges, depending on where the service was needed. Neither procurement process had formal written procedures that operationalize how procurement should occur. A CCSNH manager stated formal procedures for procuring commodities and services did not exist, and that such procedures could be too specific to apply to the different operating environments of the various community colleges. However, this manager acknowledged that issues like conflicts of interest could arise because there were no formal procedures for procurement activity.

A Request for Proposals was put out to competitive bid by the Associate Vice Chancellor for Finance and Strategic Planning and distributed to the public on February 27, 2015 with a deadline for submissions of March 6, 2015. On February 28, 2015, in response to the Request for Proposals, an employee covered by the collective bargaining agreement and also a professional acquaintance of the Chancellor's emailed the Chancellor expressing his interest in writing the grant "at no direct cost if you are open to let's make a deal." This employee then explained his intent to write himself into the grant to obtain benefits for December 2015 through summer 2016, plus \$3,600 in professional development courses. He also suggested the Chancellor can "lean" on this individual's direct supervisor to "pay this out" of a federal grant, saying there were "plenty of different little pots of money" to "cover what I'm interested in." The Chancellor emailed back his agreement to discuss the proposal. CCSNH employee's bid was accepted out of the three that were received. CCSNH was unable to find scoring sheets on which the bids were evaluated. We also found another bartering transaction between CCSNH and this same employee. Bartering is an exchange of property or services. We found an agreement dated July 6, 2015 with the employee to provide data reporting services in exchange for \$8,000 worth of professional development courses. For five months, the grant services agreement and the reporting services agreement were both in effect while the employee was working and being paid for a full-time grant funded position.

CCSNH had no policy regarding how barter transactions were processed or approved. Because of the unusual nature of the transactions, CCSNH internal controls were inadequate to identify and process this type of transaction. In fact, CCSNH did not report the income to the IRS until brought to their attention by the auditors. The IRS requires employers to report all wages, including noncash payments. Without complete reporting of all cash and noncash earnings, CCSNH risks penalties from the IRS (See Observation No. 18). We also found the college-level courses were charged to the Associate Vice Chancellor for Finance and Strategic Planning's purchasing card. Purchasing card policy specifically prohibits use for consulting services, or any professional or personal services (See Observation No. 17).

We found another case at a college where an individual with a conflict of interest participated in evaluating bids for a particular contract. The vendor selected had professional ties to a CCSNH employee on the selection committee, but official documentation did not mention this conflict of interest. There were also issues in this case with how the bid selection committee was formed, how bid scoring sheets were used, and what level and type of documentation was required.

Policies and procedures are standard control activities designed to guide and enforce management's directives. Policies and procedures are critical tools to help ensure actions are taken to address risks. These tools are integral to an entity's stewardship of resources and

achieving effectiveness. Lack of formal procedures regarding procurement of commodities and services leaves CCSNH open to a variety of risks. For instance, as noted above, without defining how conflicts of interest are to be handled, bidders and other interested parties may perceive the procurement process as unfair. In addition, a CCSNH manager confirmed that because the commodity purchasing process was not formalized and was administered primarily by one individual, employee turnover could lead to a loss of organizational knowledge. Thus, the replacement for the individual tasked with commodity procurement possibly would not know how to conduct the procurement process.

**Recommendations:**

**We recommend CCSNH management revise its procurement policies and procedures to further facilitate the procurement process. Written policies and procedures should:**

- **explain the purpose and goals of procurement at CCSNH,**
- **address how to deal with employees bidding on contracts,**
- **identify required documents,**
- **provide guidance about handling conflicts of interest,**
- **explain how to evaluate and select successful bidders, and**
- **determine whether bartering is allowed.**

*Auditee Response:*

*We concur.*

*CCSNH is presently reviewing and revising its procurement policies to include, among other things, more specific policy guidance at a deeper level on conflict of interest, selection process and centralized oversight of procurement.*

*None of the instances cited by the auditors resulted in contract awards to vendors who were not the low bidder, or increased net cost for particular services or performance below that specified by bid requirements. The work contracted was where qualified bidders were in short supply. Additionally, the bartering item discussed here and also mentioned in observation 18 prompted immediate corrective action during the audit and the initiation of internal guidance and controls to ensure that educational assistance is provided within established policies and that amounts paid beyond the IRS threshold are appropriately taxed (see response to observation 18).*

**Observation No. 16**

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**More Purchase Oversight Needed**

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We examined monthly account statements for purchasing cards for State fiscal year (SFY) 2014 through 2016, and examined other direct pay invoices for their propriety. The U.S. Government Accountability Office (GAO) defines abusive purchases as “purchases of authorized goods or services, at terms (e.g., price, quantity) that are excessive, *are for a questionable government*

*need, or both...*” [emphasis added]. We questioned several purchases for their value to CCSNH’s mission.

- A college President bought a new 2013 Honda Pilot EX-L with leather interior at a cost of \$32,500. Each college President had a CCSNH vehicle assigned to them.
- A college President held an inauguration event costing approximately \$34,000. The costs included food, band and audio set up, a \$500 original poem was commissioned for the occasion, bagpiper, commemorative medallions featuring the President’s likeness, commemorative mugs, lapel pins, and video and photography.
- A seven-day stay at the Ritz Carlton in Virginia for \$1,999.69 and a five-day stay at the Four Seasons Hotel in Texas for \$1,530.86.
- Numerous meals at restaurants for executive management where there was no meeting agenda. In addition, during a CCSNH-sponsored professional development opportunity, \$168 was spent on wine and mixed drinks for the President’s Circle.
- Six tickets to a benefit gala for \$1,200.
- A washer and dryer and “window treatments” were purchased for an executive relocating to the area at a cost of approximately \$1,300. This issue was identified by the CCSNH Internal Auditor and taxes were reportedly paid.

Generally, the Board, through its policies, had delegated the responsibility and authority for approval, oversight, and management of CCSNH policies and procedures for purchasing of goods and services to the Chancellor. In practice, however, each college handled purchases differently. Some colleges used a requisition process where the proposed purchase was approved before being executed. In other colleges, the purchase was not necessarily approved prior to payment as long as the purchase was within their budget. Purchases made by executive management did not appear to require approval as long as the purchase was less than \$5,000. Purchases between \$5,001 and \$25,000 require three quotes, and purchases over \$25,000 require a bid process.

CCSNH purchase card policies require an account manager to review the cardholder transactions. The account manager was typically an account technician in the business office. Because a power differential exists between a clerk in the business office and a college President, for example, the internal control over reviewing the President’s purchases may not be effective. The purchasing card policy required the account manager to ensure the cardholder was in compliance with the authorized uses of the card. It also requires the account manager to communicate all questionable activity to the department head and/or Chancellor’s Office Card Administrator.

Without specific approval of purchases made by executive management, CCSNH has no way to prevent an unnecessary or excessive purchase by staff.

**Recommendation:**

**We recommend CCSNH management improve its controls over purchases made by executive management by developing and implementing a policy requiring advance approval for purchases over a specified amount and regular review of purchases made on their purchase cards by the next level of management.**

**Auditee Response:**

*We concur in part.*

*The instances cited by the LBA cover a wide range of purchasing – from fleet vehicles to events to marketing to travel to new hire relocation expenses. Purchasing cards provided the means for some of the purchases but not all.*

*With respect to CCSNH’s purchasing card program, we agree that CCSNH’s purchasing card program should be revised to strengthen controls and have noted such in our response to Observation 17.*

*As noted in our response to Observation 15, we concur that fleet vehicle policies and procedures are needed. Such policies and procedures will guide officials engaged in purchasing decisions involving fleet vehicles including those that may be assigned to the chancellor or a president. That said, the chancellor and the presidents must travel frequently and significant distances as part of their responsibilities. For example, the chancellor meets with local advisory boards, the presidents and faculty and staff and students at each of the seven colleges on multiple occasions annually, and the college presidents’ travel and the chancellor’s travel obligations do not stop during the winter months. Thus, a safe, reliable all-wheel drive vehicle is appropriate with some comfort given the amount of travel involved.*

*The “government need” for purchases related to events and marketing in the context of operating a community college system in a competitive higher education market may not be apparent. The inauguration event referred to was linked to a major scholarship fund-raiser held the same day. Together the inauguration and the fundraising event raised over \$100,000 net of all expenses. The college leveraged the occasion presented to inaugurate a new president to bring in corporate donors and industry partners, engage the community and promote the role of the college in the region. That being said, however, we concur that some of the individual expenses were of questionable value. While college presidents have responsibility and authority for spending up to certain levels, CCSNH will develop language in policy that reinforces that expenditures need to be strongly connected to mission-driven needs and considerations.*

*With respect to the tickets for the benefit noted in the observation, while CCSNH does very minimal participation in events of this nature, we do so occasionally as valuable networking opportunities or in support of entities whose activities align with or support our own, as was the case with the instance cited which centered around an organization that places young professionals in positions in NH schools.*

*With respect to the other purchases, CCSNH has a travel policy that applies to all employees including executive management. CCSNH needs to increase its monitoring of travel accommodations to ensure that purchases are consistent with the travel policy. The policy provides reimbursement for business travel expenses only if such expenses are reasonable, properly authorized, appropriately documented, and within the guidelines of established financial and travel policies and procedures. Employees who fail to abide by the standards set forth in the financial and travel policies are responsible for excess amounts paid.*

### **Observation No. 17**

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#### **Strengthen Controls Over Purchasing Cards**

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The Chancellor's Office did not effectively oversee CCSNH-wide implementation of the purchasing card program. Once the cards were issued in July 2014 by the Chancellor's Office, individual colleges were tasked with setting credit limits and overseeing approximately 260 purchasing cards.

CCSNH policy regarding purchasing cards states, "[t]he purpose of the Purchasing Card program is to establish a more efficient, cost-effective method of making small dollar purchases." During our review of credit limits, we identified several cards with high purchasing limits. Our review of purchasing card accounts found 11 individuals possessed credit limits ranging from \$50,000 to \$80,000, 14 individuals with credit limits ranging from \$20,000 to \$49,999, and 41 individuals with limits ranging from \$10,000 to \$19,999. There were also 95 individuals with credit limits ranging from \$5,000 to \$9,999 and 102 individuals with credit limits ranging from \$50 to \$4,999. Approximately 27 purchasing cards had not been used for more than one year at the time of our review, six of them possessed credit limits over \$10,000. No formal process existed to determine the need for issuing a purchasing card, determine the initial credit limit granted or to review credit limits and the continued need periodically. However, written requests were required to approve a credit limit increase. Leading practices suggest establishing written policies and procedures to assign appropriate card limits.

CCSNH policy required cardholders sign the agreement form prior to receiving a purchasing card. Several cardholders did not have signed cardholder agreements. One college acknowledged they did not have any signed agreements to provide, but addressed the issue prior to our field visit by having all cardholders sign written agreements. At another college, the sole individual using a purchasing card was unable to locate the signed agreement form. We also requested signed cardholder agreements from the Chancellor's Office, but they were only able to produce two signed agreements of the 14 active cards.

Leading practices recommend using Merchant Category Codes to block purchases from certain vendors. No supervisor responsible for transaction reviews reported using Merchant Category Code restrictions. CCSNH's purchasing card policy lists alcohol as an unauthorized purchase. We identified transactions during the audit period where alcohol was purchased using purchasing cards for CCSNH events and business meetings by CCSNH managers.

Effective internal controls allow management to properly identify and respond to risks during the normal course of business and in an appropriate timeframe. By not establishing and performing effective oversight duties and ensuring CCSNH policies are followed, there is greater risk for abuse and improper purchases occurring. Ensuring staff members acknowledge their cardholder responsibilities by signing the cardholder agreement form and setting reasonable credit limits could also help mitigate risk and increase accountability.

**Recommendations:**

**We recommend CCSNH management establish policies and procedures that include leading practices for purchasing card programs. Management should ensure CCSNH policies are followed, such as not purchasing alcohol or requiring all cardholders provide written acknowledgement of their roles and responsibilities as purchasing cardholders.**

**Auditee Response:**

*We concur.*

*CCSNH concurs with this audit finding. There are individuals who place orders for an entire college with purchasing cards that are authorized with higher credit limits. While issuance of such high-limit cards is limited, CCSNH concurs that it should review its practice, specifically document the need for a high-limit, and enact more controls. The more general use of purchasing cards at CCSNH and consistent with leading practices (cards issued with credit limits under \$10,000) is to allow for effective, swift purchases – without the delay layered workflows impose.*

*CCSNH does minimize food and overnight expenses, including by limiting our Board meetings to daytime hours, with no overnights. The auditors, however, correctly note CCSNH must improve use of purchase control types. To date, college CFOs have had authority to set limits and, across the system, all new cardholders must sign agreements. CCSNH will work towards central storage and tracking of agreements and better enforcement on policy for small purchases facilitated by purchase card use.*

**Observation No. 18**

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**Employer-provided Educational Assistance Needs To Be Reported**

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CCSNH did not report employer-provided educational assistance (i.e., tuition reimbursement) to the IRS. Employers were required to report, and employees were required to pay taxes for, educational benefits over \$5,250 per year. During our five-year audit period, six individuals received an educational assistance benefit in excess of \$5,250 from CCSNH, but the educational assistance was not reported as income to the IRS or employee until identified by the auditors. CCSNH reported this situation was an administrative oversight due to a lack of procedures and communication between the finance office and the human resources office.



Without the identification of employer-provided educational assistance and required reporting, CCSNH risks being out of compliance with IRS regulations. In addition, CCSNH's lack of oversight created an unwelcomed surprise for employees who may now owe taxes for prior years.

**Recommendation:**

**We recommend CCSNH management develop policies and procedures to ensure employer-provided educational assistance is properly identified and reported.**

**Auditee Response:**

*We concur.*

*When brought to our attention we immediately took corrective action with those affected employees identified during the audit. We also initiated internal guidance and controls to ensure that educational assistance beyond the IRS threshold is appropriately taxed. The colleges and the Chancellor's office must now annually report to payroll all tuition reimbursement paid out during the calendar year.*

**Observation No. 19**

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**Reevaluate Allocation Of State Funding**

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CCSNH did not have a methodology for how to allocate State funding to the seven community colleges and the Chancellor's Office. Instead, each institution received a similar proportion of State funds to what they received the prior year, with some small variation. There were no requirements in CCSNH policies and procedures for how to allocate State funding to the community colleges. A manager said CCSNH continues to use the current funding approach because "this is how things have been done" in the past.

As shown in Table 4, NHTI currently receives the largest portion of State funding, followed by Manchester Community College (MCC), River Valley Community College (RVCC), Nashua Community College (NCC), Lakes Region Community College (LRCC), Great Bay Community College (GBCC), and White Mountains Community College (WMCC). However, an analysis of the federal Integrated Post-Secondary Education Database System (IPEDS) information showed NCC and GBCC both had far more students than LRCC, RVCC, and WMCC based on full-time equivalent (FTE) enrollment. Furthermore, CCSNH financial data showed NCC and GBCC collected more tuition revenue than LRCC, RVCC, and WMCC. In terms of State allocation per FTE student, WMCC received \$8,241 per FTE student, more than double the State funding that students at NHTI, MCC, NCC, and GBCC received. RVCC students received the second highest State funding allocation at \$7,581.

**Table 4**

**Allocation Of State Funds To Community Colleges  
SFY 2015**

<b>Colleges</b>	<b>State Allocation</b>	<b>State Allocation per FTE Student</b>	<b>FTE Enrollment<sup>1</sup></b>	<b>Tuition Revenue</b>
<b>NHTI</b>	\$9,546,105	\$3,398	2,809	\$17,112,580
<b>MCC</b>	\$5,411,079	\$2,798	1,934	\$11,362,070
<b>RVCC</b>	\$4,631,840	\$7,581	611	\$3,695,154
<b>NCC</b>	\$4,472,778	\$3,206	1,395	\$8,351,389
<b>LRCC</b>	\$4,461,796	\$5,556	803	\$4,729,954
<b>GBCC</b>	\$4,412,201	\$3,631	1,215	\$7,532,098
<b>WMCC</b>	\$4,269,058	\$8,241	518	\$2,779,046

Note: <sup>1</sup>Enrollment figures used were from the 2014-2015 academic year.

Sources: CCSNH internal financial information and IPEDS information.

An internal debate regarding how to effectively allocate State funding had developed among CCSNH managers. At least two members of CCSNH management expressed dissatisfaction with how small rural colleges receive more State funding than some large urban colleges. Meanwhile, another member of CCSNH management said any changes in the current funding allocation would probably hurt the small rural colleges.

The allocation of State funds within CCSNH should support the goals of the organization. The Government Financial Officers Association recommends public organizations create broad goals to guide decision-making, develop approaches (i.e., policies) to achieve those goals, and then craft a budget based on those goals and processes. CCSNH’s purpose was “to provide a well-coordinated system” of public community colleges. CCSNH had no policy in place to guide how it allocates State funding to achieve its purpose. Instead, it appeared allocation of State funds was based on the proportion of public funds each community college received the previous year. CCSNH risks subsidizing some students to the detriment of others when public funds are not allocated effectively using a transparent policy.

**Recommendations:**

**We recommend CCSNH management develop policies and procedures describing how State funding is allocated. CCSNH management should base any changes to the funding allocation on an analysis of how best to meet the organization’s purpose as defined in statute. The analysis should include an evaluation of the current revenue and expenditure structure, as well as the long-term financial position of the organization.**

**Auditee Response:**

*We concur.*

*As the auditors note in this observation, “An internal debate regarding how to effectively allocate State funding had developed among CCSNH managers.” Presently state funds appropriated to CCSNH are allocated to the colleges based primarily on the proportion allocated in prior years. We are actively discussing a new methodology for allocating this funding, but are sensitive to any change which would be experienced as a loss by a college or colleges. It is true as the auditors note that our smaller, rural colleges receive a (proportionately larger) share of state funding that does not strictly conform to the proportion of enrolled students. This is an inevitable function of differences in economies of scale larger colleges are able to realize, and the financial challenges smaller and more rural colleges face in serving the needs of a population that is both more dispersed and, typically, more economically challenged, and in regions that do not have as strong an industry support base as other regions of NH.*

*The auditors note that “The allocation of State funds within CCSNH should support the goals of the organization.” This is quite correct. Our goals include serving and supporting educational opportunity in rural parts of the state. This has been a factor in the present allocation of state funds among the colleges, which sends more funding as a proportion of enrollment to the smaller, rural colleges.*

*As noted above, CCSNH is actively engaged in discussing new ways to allocate state funding that is in harmony with our goal to serve every region of NH, and that brings greater clarity and methodological basis to how such funding is apportioned.*

## **Observation No. 20**

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### **Waivers Should Not Be Used To Balance Student Accounts**

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CCSNH does not have a standard procedure for how to handle “no show” student accounts. “No show” students were individuals who register for courses at a CCSNH institution without paying or attending. Once registered, these students showed a balance on their account for the cost of the course they registered for.

CCSNH colleges were not consistent in how they handle “no show” student accounts. Three colleges used tuition and fee waivers to remove these charges from student accounts if the students were classified as a “no show.” As a result, both revenue and tuition and fee waivers were overstated on financial reports, as were “student headcount” and “credits sold” figures on other reports. CCSNH staff also said “no show” tuition and fee waivers showed up on accounts receivable reports. The amounts can be substantial. For instance, one college recorded \$141,740 of “no show” waivers during the Fall 2013 semester. The other four colleges de-registered the student or maintained charges on the student’s account, which will accurately record financial and operational data. Lastly, the auditors found two colleges sent the student accounts to collections for “no show” fees owed.

Current CCSNH policies did not adequately address how colleges should handle “no show” students. Presidents were allowed to give out tuition and fee waivers in “extenuating circumstances,” but the policy did not mention “no show” students. Regarding delinquent accounts, System Policy 421.54 states that “[i]f the CCSNH is unable to collect a student’s

tuition and fees, the delinquent account may be submitted to a collection agency at the student's expense. The overdue account may also be reported to a credit bureau." Again, there was no mention in this policy of how to handle "no show" students.

The mixed approach to "no show" students suggested insufficient management awareness and control. CCSNH staff were unaware colleges handled "no show" students differently. Evidence that some colleges sent overdue "no show" student accounts to a collections agency, while others did not, suggested a breakdown of management control and possible missed revenue for CCSNH institutions.

### **Recommendations:**

**We recommend CCSNH management create a policy and procedures for handling overdue "no show" student accounts. In developing this policy, CCSNH should:**

- **understand the potential consequences of the policy on its accounting and reporting function,**
- **evaluate the feasibility of using collections agencies to obtain funds for overdue "no show" student accounts, and**
- **ensure the policy and related procedures are consistently implemented CCSNH-wide.**

### **Auditee Response:**

*We concur.*

*CCSNH will evaluate and consistently implement policy on student no-show accounts. By the end of calendar year, CCSNH, under the leadership of CFOs, will enact policy and process documentation, emphasizing consistency in explicit collections practices for all no-show students.*

### **Observation No. 21**

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#### **Greater Oversight Of Tuition And Fee Waivers Needed**

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CCSNH staff were not reviewing tuition waivers each semester as required by policy. According to System Policy 421.29, Chief Financial Officers (CFOs) at each community college were responsible for periodically reviewing tuition and fee waivers entered into the Banner<sup>®</sup> finance system. This review included identifying who received the waiver, including exemptions, and who authorized the transaction, as well as examining supporting documentation. CFOs were required to document this review as proof the activity occurred. Only one employee had evidence of conducting a review in 2015.

Based on conversations with CCSNH staff, it appeared tuition and fee waiver reviews were not being done because of time constraints. However, one member of CCSNH management said the review had not been prioritized, and should be done according to policy.

Compliance with this policy was important because tuition and fee waivers were expensive to CCSNH. For instance, the NHTI alone processed \$449,235 during SFY 2016. In addition, it was reported that multiple instances of fraud occurred with Running Start waiver documents during the audit period, suggesting weak controls. Consequently, the Running Start waivers are now pre-numbered to prevent similar issues in the future. Without proper review, future abuse of tuition and fee waivers is possible.

**Recommendation:**

**We recommend CCSNH staff conduct tuition and fee waiver reviews as required by CCSNH policy.**

*Auditee Response:*

*We concur.*

*Upon receipt of observation, CCSNH immediately allocated time with each of the college CFOs and as a group to conduct reviews as dictated by policy.*

**Observation No. 22**

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**Financial Reports For Colleges Need Improvement**

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Financial reports produced by Banner<sup>®</sup> were insufficient for use by most financial managers without extensive reformatting. We examined the *Actual Spending to Budget Financial Report* generated from Banner<sup>®</sup> and found the report contained nearly 500 rows of budget line items and 12 columns of data which staff would have to summarize by department using Excel for use.

Some terms used to describe financial reporting from Banner<sup>®</sup> were: “inadequate,” “difficult,” and “not user friendly.” Financial managers reported having to extract data from a Banner<sup>®</sup> report and then having to reformat it to make the information useable. Another financial manager reported it was time consuming and difficult to extract data from Banner<sup>®</sup> because they must do it manually. The detailed account information was imported into Excel to present the information. One CFO stated that it now took longer to create a simple report since the System Banner Revitalization (SBR) project was implemented and department heads were only given spending reports if they requested one. One college President questioned whether the data from Banner<sup>®</sup> was completely reliable and questioned its usefulness, saying the application was burdensome and difficult to extract data from.

Requiring staff to download and format the information using different software also introduced potential error and the possibility of manipulation into the reporting process. One manager reported CFOs had consistently requested better reporting functionality, but CCSNH management had not resolved the problem. Another manager thought they had not received adequate training in using the tools needed to properly use Banner<sup>®</sup> data.

Management was responsible for using its financial and informational resources efficiently and economically to achieve organizational goals. Without easily obtainable and accurate financial reports, managers had no way of knowing their current financial status and risked introducing errors into financial data in the process of making the data useful for decision makers.

**Recommendation:**

**We recommend CCSNH management make improving Banner<sup>®</sup> financial reporting a priority by devoting the resources necessary and providing appropriate training to those who need access to the data.**

**Auditee Response:**

*We concur in part.*

*CCSNH is committed to make financial reporting easier and more consistent. Some of what the auditors note, however, is not entirely a function of CCSNH management. For example, the perspective that Banner is “inadequate” or not “user-friendly” is not contextualized nor sourced, and so makes adequate response difficult. In addition, a common complaint across the higher education industry is the near-monopolization of the higher education finance systems market by two products that have reputations for not being user-friendly: Oracle PeopleSoft and Ellucian Banner. Some companies and higher education organizations hire staffs of financial report writers, or purchase financial reporting products, to supplement Banner or PeopleSoft. CCSNH opts to use its funds towards classroom and student support whenever possible, unless we believe the investment would enable dramatic increases in student access and success indirectly. To act as a good steward of tuition dollars, in this instance, we have emphasized making financial reporting within and outside of Banner as efficient as possible instead.*

*The report cites that we use multiple systems for financial information since payroll is stored outside of Banner. This is true – we use ADP, combined with requisite time card functionality for tracking employee work, and we opt not to put the data into two systems at once, which would create more labor and potential error. We concur with the audit implication that it makes sense to merge these data pieces in a consistent way as much as possible.*

*It is true, as the auditors note, that anyone could use Banner data and manipulate and mismanage that data, and, for this reason, CCSNH is exploring stronger data governance. Recently a data manager with capacity to take on data governance initiatives and with a specified role and responsibilities in information security was added (filling a position that had been vacant). Most important, however, has been the aforementioned consistency in reporting that has allowed for system-wide conformance on financials, and no material weaknesses were found by a financial auditing firm in the last year of the audit period encompassed in this report. The answer to the need to have to “reformat” “unfriendly” Banner reports would not be to craft pre-canned reports at such a quantity as to meet every idiosyncratic display and content need possible --- such extension in report library would become, itself, much more unwieldly than the present reports that are subject of complaint. The auditors are right to imply, however, the need to make our report library more accessible and extensive.*

*Finally, the Chancellor's office does share quarterly financial reports with college leadership, including financial managers. Shared reporting includes templates for crafting budgets and a report library for reports on the operating and capital budgets. We believe this observation does not accurately reflect present financial data access or accuracy, nor how CCSNH performs well and within higher education and broader industry standards with limited funding for customized financial reporting tools and software.*

### **Observation No. 23**

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#### **Fundraising Policies And Procedures Needed**

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CCSNH management did not have consistent policies and procedures related to fundraising at its colleges. While CCSNH had a policy regarding receiving gifts of equipment, supplies, or materials, we found no policies for fundraising and its related activities. A CCSNH internal audit completed in September 2015 found that “fundraising procedures should be developed to provide guidance to and to ensure consistency across all seven colleges.” As of March 2017, we found each college still conducted its own fundraising events and followed its own procedures to account for funds raised.

CCSNH internal audit also found some funds remained in the colleges' operating budgets, while some were sent to the Community Colleges of New Hampshire Foundation (Foundation). The Foundation was an independent 501(c)(3) organization established in 2000. Its mission was to “provide greater access to educational opportunities through financial assistance for student scholarships, program development, and enhancements to college facilities.” We found no evidence these practices changed during the audit period. We identified one college had not disbursed or endowed two funds that had grown to approximately \$431,000 over a span of nearly three years during the audit period. The only payment made from either fund was for expenses attributed to a fundraising event in 2014. One college reported they did not actively conduct fundraising activities, except for a once a year event. Another college employed an Alumni Development Director whose responsibilities largely focused on managing donations, as well as the college's primary annual fundraising event.

A Memorandum of Agreement (MOA) which, in part, addressed fundraising, was not signed between CCSNH and the Foundation until February 2017. The agreement sets an expectation CCSNH will provide a long-term strategic plan, which the Foundation will work towards. CCSNH management reported the plan was in the process of being developed. There had been no fundraising agreements between CCSNH or the Foundation during or prior to the audit period. Since 2013, the Chancellor and the Board indicated a strategic fundraising plan was in development on separate occasions, but we could not find any completed fundraising strategic planning documents.

The Council for Advancement and Support of Education recommends institutions establish well-written policies and procedures. Having policies and procedures for processes regarding fundraising activities can help mitigate risks, ensure continuation of services despite staff changes, protect the institution's reputation, and foster transparency and accountability. CCSNH lacked a strategic fundraising vision for staff to build upon and use to identify key activities

where fundraising could help and address deficiencies. Without a fundraising strategy, CCSNH, in collaboration with the Foundation, may not be able to identify and set expectations appropriately or estimate the resources necessary to execute fundraising strategy activities. By not having policies and procedures in place, CCSNH risked not honoring donor intent for gifts, appropriately acknowledging gifts, and appropriately accounting for gifts.

**Recommendations:**

**We recommend CCSNH management develop policies and procedures regarding gift acceptance, gift acknowledgement, and gift accounting. We also recommend CCSNH management develop a strategic fundraising plan in collaboration with the Foundation.**

*Auditee Response:*

*We concur.*

*CCSNH must develop policies and procedures around gift compliance, fundraising, donor relations, and scholarship processing. Significant gifts and fundraising are relatively new to community colleges nationally and in NH. Towards improving practice, CCSNH recently amended its memorandum of agreement with the Foundation, restructured its in-house support for fundraising, and is working with the colleges to standardize fundraising operations.*

**Observation No. 24**

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**Increased Controls Needed For Cash Payments And Credit Card Transactions**

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CCSNH policies and procedures with regards to processing cash and credit card payments were not sufficient to prevent fraud. CCSNH staff stated Bursar's Office employees could pocket cash payments and mark them as credit card transactions without management noticing. Because the payment processing system did not require a credit card number for the transaction, CCSNH staff processing the transaction could pocket the cash. CCSNH staff warned auditors of the potential for fraud under these circumstances, but were unaware of any actual fraud occurring. Since credit card transactions from the different community colleges were all coded the same in the CCSNH accounting system, management would not be able to determine who processed the credit card payment and at which college.

CCSNH management identified two controls to detect this activity: daily credit card reconciliation done at the Chancellor's Office, and daily cashier session reports done at the community colleges. However, neither of these activities were identified or explained in CCSNH policies or procedures. Furthermore, while the daily credit card reconciliation activity was confirmed by CCSNH staff, it did not appear that employees at the community colleges were undertaking daily cashier session reports. If such reports were being done, it was not clear whether CCSNH staff understood how to identify instances where cash payments were processed as credit card transactions. Thus, the cause of the problem could not only relate to lack of policies and procedures, but also to a lack of training with how to use cashier session reports.



The GAO states management should evaluate and respond to identified risks. Management should also design control activities, including policies and procedures, to mitigate identified risks. In the case of potential for fraud at CCSNH mentioned above, controls could include segregation of duties and management review.

**Recommendations:**

**We recommend CCSNH management create policies and procedures to ensure employees cannot process cash payments as credit card transactions. CCSNH management should also evaluate whether increased staff training is needed to show managers how they can check cashier session reports for possible fraudulent activity.**

*Auditee Response:*

*We concur.*

*CCSNH management will work with the college business affairs officers to create policy and procedures around credit card activity to mitigate the identified risk. In addition, training will be provided to all employees in each of the seven college business offices as well as the staff in the Chancellor's Office Finance Department.*

*Once the LBA Auditors conveyed the risk scenario to CCSNH, the Director of Internal Audit has identified and reviewed all manual credit card transactions and determined no fraudulent activity has occurred.*

**Observation No. 25**

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**Improve Financial Transparency**

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CCSNH did not provide direct access to its audited financial statements, additional reports required by RSA 188-F, or budgetary reports presented to the Board. Additional reports included those pertaining to the use and proposed use of federal vocational funds, annual reports describing updates and upgrades to the CCSNH IT systems, and annual reports presented to the legislature, including, but not limited to, CCSNH's programs, cost analysis, and revenue projections. Only one college website provided a clear direct link to the 2015 audited financial statements. Within the CCSNH website, one link under the "Closed Bids" section provided access to the State of New Hampshire's Single Audit for 2010. CCSNH 2016 Required Communications Letter from CCSNH's external auditor was available under the "Open Bids" section on the CCSNH website. We also located audited financial statements for 2016 within the "Bids Under Review" section. In general, no single webpage within CCSNH's website provided easy access to reports required by RSA 188-F, audited financial statements, or budgetary reports presented to the Board.

We reviewed relevant websites for the other six component units of the State. CCSNH was one of two entities which did not provide easy electronic access to their audited financial statements. *Standards for Accreditation* published by the Commission on Institutions of Higher Education

sets criteria to measure institutional quality. On transparency, these standards state, “The institution is responsive to reasonable requests for information about itself and informs the public about how inquiries can be addressed. The institution provides notice as to the availability of its most recent audited financial statement or a fair summary thereof.” Best practices for nonprofits also recommend organizations make information easily accessible to the public. This includes information regarding the organizations decision-making processes, finances, and its activities.

CCSNH management reported there was not any specific reason the documents were not made available online. By not making information easily accessible, CCSNH risked devoting significant time to honoring information requests.

**Recommendation:**

**We recommend CCSNH management electronically publish their audited financial statements, external audit reports, and required communications letter; additional reports required by RSA 188-F; and periodic budgetary reports presented to the Board.**

*Auditee Response:*

*We concur.*

*CCSNH agrees that the audited financial statements, external audit reports, and required communication letters should be published on the CCSNH.edu website. In the past, these reports were available only on CCSNH’s intranet. The audit reports are now available for the general public view on the CCSNH.edu website. CCSNH will review and post the reports that are required under RSA 188-F and in addition will post budgetary reports that have been presented to the Board.*

**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**INFORMATION TECHNOLOGY**

The Community College System of New Hampshire (CCSNH) uses Banner<sup>®</sup> software to support its operations. Initially implemented as seven separate databases (one for each college), CCSNH undertook a project starting in 2013 to consolidate all seven databases into one database. A contract for approximately \$2.9 million was signed in December 2013 with an external consultant to develop the project. The original scope of the project was to integrate the Banner<sup>®</sup> databases and install three additional applications: Mobile, DegreeWorks<sup>™</sup> (degree audit software), and Banner<sup>®</sup> Document Management (document imaging software) all within 18 months. However, as of May 2017, the project was still ongoing.

Originally referred to as the student credit transfer initiative, the project now known as the System Banner Revitalization (SBR) project had two reported purposes: 1) make it easier for students at CCSNH colleges to transfer credits and grades between CCSNH colleges, and 2) make it easier for faculty to share courses and curriculum across CCSNH colleges.

We conducted a survey of CCSNH faculty and staff, which can be found in Appendix C. One purpose of the survey was to gauge opinions regarding the impact of the SBR project. We asked faculty and staff using Banner<sup>®</sup> to respond whether the impact was positive, neutral, or negative. Faculty and staff opinions were mixed regarding whether SBR goals were achieved. These results can be found in questions 25 through 28 on pages C-14 through C-16.

We found the SBR project was poorly implemented due to a lack of planning. In addition, we found duplicated information technology (IT) services, varying job responsibilities for the same position, inconsistent data input rules and coding, and data reliability issues across CCSNH.

**Observation No. 26**

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**IT Project Planning Needs Improvement**

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CCSNH IT projects were not sufficiently planned. For instance, we found no internal planning documents for the SBR project. We found a one-page opportunity statement describing what was called the “CCSNH Online Credit Transfer and Course Sharing Initiative,” which ultimately became known as the SBR project. We interviewed 35 members of CCSNH management regarding the SBR project, including all the Presidents, Vice Presidents of Academic Affairs, Chief Financial Officers, Registrars, and Banner Coordinators at all seven community colleges. We found 18 of these managers indicated the SBR project was not sufficiently planned. Those interviewed pointed to several areas as evidence of lack of planning, including issues with the project’s purpose, timeline, and implementation.

**Project Purpose**

The opportunity statement listed two goals for the SBR project: 1) make it easier for students at CCSNH colleges to transfer credits and grades between CCSNH colleges, and 2) make it easier for faculty to share courses and curriculum across CCSNH colleges. To accomplish these goals, the project required combining seven databases (one for each individually accredited community

college) into a single database. While CCSNH may benefit from having a central shared database, the goals of the SBR project did not appear to require such a technological solution. In fact, some of the goals appeared to reflect a misunderstanding of the operating environment of CCSNH.

- The goal to make it easier for students at CCSNH colleges to transfer credits and grades between CCSNH colleges was already being accomplished outside of the Banner<sup>®</sup> system. Since at least 2008, students could transfer credits among colleges as well as outside CCSNH. As part of the SBR project effort, 30 courses were approved by Vice Presidents of Academic Affairs as equivalent and pre-approved for credit transfers among all CCSNH colleges. However, there were thousands of remaining classes that have not been identified as transferrable for credit among the colleges, so they still required review by staff.
- CCSNH management appeared to have misconceived the goal of transferring grades between CCSNH colleges because *grades* are not transferred, only *credits* are transferred among colleges. The SBR project had not changed this practice. For example, a student earning an “A” in a class at CCSNH college X may transfer the credit to CCSNH college Y if college Y accepts it, but the grade is not factored into the student’s grade point average at college Y. This practice was reportedly standard throughout higher education. Centralized student transcripts were also a feature of the project. However, the accredited institution (i.e., each college) had to generate official transcripts, not the CCSNH office. Students could generate an unofficial transcript centrally after the SBR project, but had to obtain separate official transcripts from each community college where they did coursework.
- To the extent the project was to enable students to register for classes at any college across CCSNH, this goal appeared to have been met, at least among the colleges that allowed it. However, although each of the community colleges had some similar programs, courses sometimes had different pre-requisite requirements, making online registration difficult. A student hoping to register for courses at multiple institutions would have to speak first with academic counselors at each community college to ensure pre-requisites were fulfilled.

Proper planning could have helped CCSNH senior management identify and possibly address these issues, or helped them determine that the project was not entirely feasible as initially conceived.

### **Project Timeline**

Another area identified by staff as showing a lack of planning was the project timeline. Staff interviewed said the contractors for the SBR project suggested CCSNH complete the project over three years, citing the difficulty of bringing seven unique databases into one single entity. However, staff said senior management decided they wanted the project done in 18 months instead. When asked about the expedited project timeline, the Chancellor said the Board had wanted the project done for several years, but prior administrations had not followed through.

## Project Implementation

Staff identified other issues linked to a lack of planning for the SBR project. Several staff members said senior management promised the contractor would combine the databases into one shared database, but data for each college would be kept separate. However, the data for each college was not kept separate when implemented, and instead all the data were, blended together. This led to an ongoing problem with reporting errors, where students from different colleges began showing up on reports for a given institution, skewing results. One individual said the SBR project put their institution “back 10 years” in terms of creating reports. Another individual said employees run reports, find errors, correct the errors, then re-run the reports, only to find more errors.

Despite persistent issues with the Banner<sup>®</sup> shared database, and sustained concerns expressed by staff, CCSNH senior management continued to roll-out new IT projects related to SBR. These included DegreeWorks<sup>™</sup>, Banner<sup>®</sup> Document Management System, and other initiatives. Each of these varied in scale and in terms of workload required by CCSNH staff, and at least one manager said they had not received any project planning or implementation documents for any of these initiatives. Another manager expressed concern that, just as with the Banner<sup>®</sup> shared database project, CCSNH management did not standardize business processes across CCSNH before attempting to implement these IT initiatives. CCSNH managers also expressed concern about lack of training for new initiatives, and insufficient time to effectively implement the shared database while working on these other initiatives.

## IT Project Planning Standards

During the audit period, the Board’s policies did not require CCSNH management to develop or submit any project planning documents for IT projects. CCSNH system policy also did not require any planning or cost benefit analysis for IT projects. We asked CCSNH for feasibility studies and cost-benefit analyses documents, but they were unable to provide them.

Control Objectives for Information and Related Technologies (COBIT) 5, a standards manual for information systems auditing, recommends organizations implementing an IT project “[e]stablish and maintain a formal, approved integrated project plan... to guide project execution and control throughout the life [sic] of the project.” COBIT 5 further recommends that the plan “include details of project deliverables and acceptance criteria, required *internal* and *external* resources and responsibilities, clear work breakdown structures and work packages, estimates of resources required, milestones/release plan/phases, key dependencies, and identification of a critical path” [emphasis added]. While CCSNH provided the auditors with a project schedule and timeline, these documents appeared to have been created by the contractor, an *external* source. COBIT 5 recommends a project plan include details about *external* and *internal* “resources and responsibilities,” which CCSNH could not provide in the case of the SBR project.

The costs of the SBR project have been significant to CCSNH. As of March 23, 2017, CCSNH had spent nearly \$2.9 million for the SBR project, with approximately \$83,500 still left for remaining contracted services. However, this cost estimate did not include CCSNH staff hours contributed to the project, which were substantial. For instance, 27 of the 35 CCSNH managers

interviewed said the SBR project negatively impacted the efficiency of CCSNH operations. Banner Coordinators had spent large amounts of time resolving duplicate records in the shared database, which were created by the SBR project. One individual interviewed spoke of CCSNH IT staff working 90-100 hour work weeks to address issues related to the SBR project. Employees also spoke of how many of the processes were automated prior to the SBR project, but were now manual due to the programming changes associated with the SBR project, requiring more time to complete. One individual said it takes five times longer to extract 95 percent of data from Banner<sup>®</sup> compared to the previous system. Another employee said it would take “years” before the shared database would work properly. All of this evidence pointed to greater amounts of staff time spent on dealing with SBR project-related issues, further adding to the costs of the project. We believe CCSNH management could have mitigated many, if not all, of these issues by having and following proper project planning techniques.

### **Recommendations:**

**We recommend CCSNH management develop policies and procedures to guide IT project planning, and specify what documentation is required. Policies should require certain steps for IT projects over a particular dollar amount, and procedures should specify project plan elements and steps to fulfill those policies.**

#### *Auditee Response:*

*We concur.*

*We concur with the recommendation to develop written policies and procedures to guide IT project planning and specify what documentation is required for significant IT projects.*

*While written policies and procedures were not in place at the time the System Banner Revitalization (SBR) project was initiated and implemented, CCSNH did engage in project planning. The purpose of the SBR project was to align IT with the strategic goal established by the board in 2013 “to make it easier for students to access, register, pay, and receive credit for courses across New Hampshire’s community colleges.” Consistent with enterprise benefits recognized by COBIT<sup>®</sup>, the SBR project was intended to achieve strategic goals and realize business benefits through effective and innovative use of IT. Through SBR, CCSNH’s goal was to create a shared student environment in Banner that ensures students can: 1) register for courses at any CCSNH college without re-entering registration from their home college, 2) demonstrate pre- and co-requisite course achievement to any CCSNH college, 3) make use of digital document management where possible, 4) search, select, and register for courses from smartphones and tablets, and 5) take advantage of web-based degree audit and transfer/articulation tools.*

*The goal sought to be achieved by the project – having one shared student information system – is better for students for the reasons set forth above. A shared database allows students to enroll for multiple courses at multiple colleges. While a shared database is not necessary for students to transfer credits between New Hampshire Community Colleges, it provides a means for students to do so seamlessly and uniformly. There is still work to be accomplished between*

colleges in our system to create a comprehensive internal database of course equivalencies, with SBR, however, CCSNH has taken the first step in enabling technology that can accomplish this goal.

Moreover, from a financial cost standpoint, despite upfront costs, having our largest IT system be one system makes economic sense. Less support is needed when all users are working from a centralized database, instead of having seven instances each needing separate support, for example, when an upgrade is required or cybersecurity vulnerability needs to be addressed. The system is more reliable and data needs are filled more directly and reliably from a single data source. Standard student service is improved when all faculty, staff, and students use the latest version of the same product – and because it is always the latest version, it is always the most secure. The product itself is, of course, less expensive bought once, instead of seven times, and other agencies and products that read/write to a single system are more easily brought into the technology portfolio, and in a more cost-effective manner.

To ensure that internal stakeholders were integrated into the project planning and implementation, CCSNH established teams that focused on various project aspects including Strategic Team, Implementation Team, Technical Team, Data Migration/IDM/Security Team and Reporting Team. Each team included members from the Chancellor's office as well as the colleges. Except for the Strategic Team, each team included banner coordinators that were hired by the colleges for the purpose of providing ongoing training at the colleges and effective implementation of the shared database by college staff. In addition to Banner coordinators, the Implementation Team, which met frequently, was comprised of CCSNH and college internal stakeholders working across functional areas including finance, institutional research, IT, vice presidents of academic and student affairs, financial aid, registrars, admissions, and bursars.

In consultation with CCSNH strategic team, the SBR project vendor established the critical path project management schedule. Pursuant to the schedule, the vendor engaged regularly with CCSNH stakeholder teams to gather information about specific processes and user needs, to provide follow-up and training to CCSNH Banner users. The project management schedule included more than 30 multiple-day engagement sessions. The project plan included phased implementation across multiple work-streams, including configuration and deployment, data migration services, financial aid workflows, and technical services. Each task was given a responsible party, a deadline and project work involved, quantified in hours. The more than 200 items detailed in the project plan were color-coded to identify the task as pertaining to Banner Student, Banner Financial Aid, Data Migration, Formal testing / UAT / Go-Live Events, Degree Works, Identity Management and Integration, Mobile, Enterprise Architect / BPM, or BDM / Document Imaging.

The core goal of the SBR project – creating a shared student environment in Banner -- was completed within the 18-month timeframe established at the outset. The additional tools – Degree Works® which provides students the ease of assessing their progress toward a degree through a web-based degree audit tool and Banner Document Management System which provides system-wide access to documents that were historically maintained in hardcopy format – were not expected to be completed within the 18-month schedule but have fallen behind the

*original schedule due to a number of factors. These tools take advantage of the shared database. Their delay does not in any way affect the usability of the shared database.*

*Like virtually every single IT project, the SBR project rollout was imperfect. Some issues, such as time spent on data clean up and providing training necessary to understand the new look of data so that it does not appear “mushed together” are common to database projects. Learning to read student data to determine what data has been generated by the home college takes time. The fact that many students have data from more than one college in the system is evidence of the need for greater collaboration to better serve students.*

*As is apparent from the information the LBA auditors gathered in their work, achieving the project’s underlying goal – to make it easier for students to access, register, pay, and receive credit for courses across New Hampshire’s community colleges – requires not only IT tools but a cultural shift by college Banner users to serve the interests of the targeted stakeholders, CCSNH students. As noted above, a single shared database increases consistency across the system benefitting students who take courses at more than one institution. CCSNH’s main shortcoming was not so much in improper planning of the technical aspects of the SBR project but in underestimating the magnitude of the organizational cultural shift necessary to achieve an organization-wide understanding and acceptance of the value of the SBR investment.*

#### **Observation No. 27**

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#### **Consolidate, Standardize, And Improve IT Functions And Processes**

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CCSNH management should consolidate, standardize, and improve IT functions. We found duplicated services, varying job responsibilities for the same position, inconsistent data input rules and coding, and data reliability issues across CCSNH. Our findings incorporate insights made by IT consultants hired in 2016 by CCSNH to review how IT was organized and managed CCSNH-wide.

#### **Duplicated Services**

CCSNH had duplicate IT services between the Chancellor’s Office and the community colleges. During the audit period, each of the seven community colleges, as well as the Chancellor’s Office, had staff performing IT functions. An IT organizational review of CCSNH stated the Chancellor’s Office IT department provided CCSNH-wide planning and support for “key enterprise wide applications....” This same review found community college IT staff spent 11 percent of their time performing network and server maintenance tasks, which were the responsibility of Chancellor’s Office IT staff.

The IT organizational review recommended consolidating certain IT functions to a CCSNH-wide service desk to increase efficiency, expand availability, and cut costs. Each college staffed its own IT help desk, available mostly during normal business hours on weekdays. The review stated a CCSNH-wide service desk could handle certain user-requests, such as network access, password issues, and other activities, rather than community college IT staff. Without



consolidating IT resources at the CCSNH-level, CCSNH may not provide IT services as efficiently as possible.

### **Inconsistent Job Responsibilities**

CCSNH Banner Coordinators did not have standard job responsibilities. Because faculty and staff were limited in accessing Banner<sup>®</sup> reporting capabilities, Banner Coordinators were generally responsible for obtaining reports for faculty, staff, and management. However, responsibilities for Banner Coordinators were not standardized across the colleges and many of these individuals were also performing non-IT related tasks at the direction of their college Presidents.

The IT organizational review recommended clarifying “the role of the Banner Coordinator positions across all institutions and [coordinating] these activities...” with the Chancellor’s Office IT function. Not standardizing Banner Coordinator job requirements and responsibilities could negatively impact the quality of reporting at the community colleges.

### **Inconsistent Data Management**

Procedures for data input and coding were not standardized across CCSNH. The IT organizational review stated CCSNH had not seen the “benefits of shared data and reporting capabilities” with the SBR project because data management procedures had not been standardized. One CCSNH manager said coding procedures in the Banner<sup>®</sup> shared database were not standardized, and sometimes staff made new codes without first obtaining permission from the other community colleges. Banner Coordinators also spent a significant amount of time fixing duplicate database records caused by data input error. Without standardizing data management processes through written procedures, CCSNH may not see the full benefits of the SBR project and may continue to lose staff time due to Banner Coordinators continually having to resolve duplicate database records caused by data input error.

### **Data Reliability Issues in Reports**

Several CCSNH staff mentioned issues with reconciling information between management reports from the CCSNH shared database and the data warehouse. One example was the dashboard report of credits sold. The dashboard was a tool used throughout CCSNH to gauge whether enrollment goals were achieved. We found the daily dashboard report for the morning of October 7, 2016 was internally inconsistent. For Great Bay Community College, one part of the report showed “Headcount as of Yesterday” as 2,636 while in another section of the report showed 2,726 students for the same time period. This same report also showed 19,241 credits sold the previous year on one page and 19,126 elsewhere in the report.

The result of the data discrepancies in management reports caused confusion among CCSNH staff as to which source was correct. This issue was compounded by staff having no clear guidance from senior management for how to deal with the issue. Some members of CCSNH management expressed distrust with the reliability of data in the shared database and the data warehouse. Auditors found evidence of CCSNH staff using their own reports developed outside

the data warehouse or shared database to determine the number of credits sold and conduct revenue analysis to make management decisions.

Discrepancies between database and data warehouse reports called into question the effectiveness of controls used by CCSNH to ensure valid and accurate data reporting for staff. Furthermore, uncoordinated methods for data-based decision-making suggested a need for standard policies and procedures across CCSNH. If staff, distrusting the data reliability of reports, also used internally-maintained data for management purposes, they could also open themselves to the risk of making ineffective decisions based on unreliable or unproven information.

The reasons for unconsolidated and non-standardized IT functions and processes at CCSNH were unclear. However, the IT organizational review stated each of the colleges “maintain...operational independence” from the Chancellor’s Office, and therefore the different IT functions and processes may come from a lack of coordination and managerial control within CCSNH.

COBIT 5 recommends that an organization create policies to “drive the IT control expectations,” with formal procedures to ensure policies are followed. The manual further states that organizations should create controls to “ensure that information processing is valid, complete, accurate, timely, and secure....” The 2016 IT organizational review recommended CCSNH create standard data management procedures that define how “data is to be input, stored, shared, and backed up.”

**Recommendations:**

**We recommend CCSNH management create standard policies and procedures to guide data management across the organization. Procedures should specifically address how to avoid creation of duplicate records in the Banner<sup>®</sup> shared database. Policies should discourage the use of internally maintained data for management decision-making. Management should also provide training on these policies and procedures.**

**CCSNH management should improve reporting by resolving data reconciliation issues between the shared database and the data warehouse. Management should create policies and procedures, to avoid future data reliability issues and improve management reports.**

**CCSNH management should follow recommendations in the IT organizational review and consolidate certain IT functions and processes to the CCSNH System level through implementing a shared services desk to reduce costs and increase efficiency.**

**CCSNH management should standardize job responsibilities for and improve coordination among Banner Coordinators.**

**Auditee Response:**

*We concur in part.*

*Over the past two years, CCSNH has been working to consolidate, standardize, and improve IT functions. The process began when CCSNH engaged outside auditors (Berry Dunn) for the purpose of assessing IT security and structure. The findings in the LBA report incorporate Berry Dunn's findings provided by CCSNH. CCSNH's efforts toward consolidation, standardization, and improvements made in response to Berry Dunn's report, however, are not recognized here. There is also no mention of the weight the Berry Dunn report places upon CCSNH's financial constraints throughout. The audit also uses Berry Dunn's report as evidence of inefficient duplication of services but leaves out the relevant note that based on the experience of the Berry Dunn auditors "IT time allocation seems in line with industry practices."*

*As for the duplication noted, the existence of 11 percent of duplication in server and network labor is relatively low compared to other systems of separately accredited Colleges that have their own servers and networks, and, since this audit observation, we have dramatically reduced that percentage by integrating all firewall and network topology under Chancellor's office care. CCSNH is also clarifying Banner Coordinator responsibilities. In addition, the observation is written to imply CCSNH has faulty credits sold and headcount data, without mentioning that the data used in these reports is for internal, decision-support purposes and changes daily. This does not mean that accuracy is not paramount, but it is not off often and, in the examples cited in the report, when there is an issue, CCSNH's IT department works towards immediate rectification. We reduce errors as much as possible in our reporting environment for decision support, as would any organization, and we intend to systematically take the error rate on daily reports down even further.*

*CCSNH recently filled the position whose duties include improving data access, governance, and reporting. This hire is, indeed, occurring in the midst of many other improvements underway to meet the recommendations from this observation and those previously identified by CCSNH. Berry Dunn's report provides the basis for most of the findings in this recommendation. It should be noted that Berry Dunn's report also states, CCSNH IT "has been able to maintain a high level of service while facing significant staffing challenges to meet demands for support."*

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**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**FOUNDATION**

The Community Colleges of New Hampshire Foundation (Foundation) was a tax-exempt nonprofit corporation that seeks to locate and secure private funds and grants in order to supplement the traditional revenue sources of the Community College System of New Hampshire (CCSNH). The Foundation's mission was to provide greater access to educational opportunities through financial assistance for student scholarships, program development, and enhancements to college facilities. The Foundation was granted tax-exempt status as a 501(c)(3) organization in 2005 and was governed by a 19 member Board of Directors. During the audit period, the Foundation was managed by an Executive Director employed by CCSNH. At the end of State fiscal year (SFY) 2016, the Foundation managed approximately \$16.6 million of combined endowed and expendable funds. However, during SFY 2017, CCSNH Board of Trustees (Board) terminated an existing agreement, resulting in approximately \$13.7 million transferred to its own accounts, leaving the Foundation with \$3.6 million. Another agreement was signed between the Foundation and the Board in February 2017 after the idea was initially brought to the Foundation in November 2015. We found the Board and Foundation experienced significant challenges while drafting the new agreement. Those challenges could have been mitigated with formal processes in place to govern how the two entities interact. We also questioned the level of operational control CCSNH exerted on the Foundation, which may have led to an erosion of the Foundation's independence.

**Observation No. 28**

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**Board And Foundation Should Formalize Procedures To Manage Daily Interactions**

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During the audit period, the Board of Trustees and the Foundation did not have formal processes in place to govern the relationship between the two organizations. An MOA was signed between CCSNH and the Foundation in February 2017 to increase the Foundation's fundraising activities. The 2017 MOA outlined CCSNH responsibilities towards supporting the Foundation and set the Foundation's obligations to CCSNH. While the agreement formalized what supports would be provided by each organization, it did not establish clear processes for interaction between the two boards. Lack of decision-making processes during the audit period degraded trust, and affected communication and understanding between the two organizations.

The primary point of contention between the two boards involved negotiations surrounding the MOA and the role the Foundation would play in fundraising. While amendments to the MOA were proposed by the Foundation, the Board decided to terminate a 2006 agreement to manage UNIQUE<sup>1</sup> funds effective in August 2016. The termination resulted in nearly \$14 million being

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<sup>1</sup>Colleges and universities can receive allocations from the State sponsored 529 saving plan known as the UNIQUE College Investment Plan. The New Hampshire UNIQUE Scholarship programs include two separate programs; the UNIQUE Annual Allocation Program and the UNQUE Endowment Allocation Program. Both programs are intended to benefit citizens of the State of New Hampshire by providing educational assistance to those pursuing higher education at participating institutions. Participating institutions must have an allocation agreement with the

transferred back to CCSNH from the Foundation, which was an 80 percent reduction in its assets. Several comments in Foundation meeting minutes from September and October 2016 illustrated a tense relationship between the two organizations during and after the negotiation process. At the October 2016 Foundation meeting, a mediator was brought in to ensure a productive discussion. The draft minutes of October 2016 contained comments such as: the “rug [was] being pulled,” how the Board “drove it [the MOA] through the Foundation,” the Boards’ “ramrod process,” and the disappearance of trust between the two organizations. Foundation members expressed their belief the termination of the 2006 agreement was “punitive” and a “power play” because the Foundation did not “move as quickly as the Trustees desired” with regard to the MOA. There was also confusion expressed by Foundation members as to what the Board’s goals were, and why the agreement governing the \$13.7 million was terminated.

As a result, the Foundation voted twice in November 2016 on whether it should continue to exist. Of the 17 Foundation Board members present, all seven community college Presidents and the Chancellor voted both times to disband the Foundation, narrowly missing the two-thirds vote required to dissolve the Foundation. One Foundation member resigned prior to the second dissolution vote, stating “the dysfunction was paralyzing.” At the November 2016 Foundation meeting, the Foundation voted to accept the MOA in its original form and the MOA was ultimately signed by the Chancellor and the Chair of the Foundation in February 2017.

Best practices for university-affiliated institutions suggest host institutions and their foundation have clear processes and procedures in place to govern decision-making processes, ensure periodic review of agreements, and align priorities. University-affiliated institutions and host institutions should review agreements every five years to ensure ways of doing business over time become memorialized into formal processes. Informal processes can affect working relationships as leadership, strategic plans, and changes occur over time. By not having clear processes governing the relationship between the Foundation and the Board, both organizations risk future difficulties when considering impactful decisions.

**Recommendation:**

**We recommend the Board and Foundation develop formal processes to govern interactions and expectations between the two organizations.**

**Auditee Response:**

*We concur.*

*In 2015, CCSNH identified the need for a formal process to govern interactions and expectations between CCSNH and its affiliated foundation to ensure the Foundation achieve its fundraising purpose. In 2017, a memorandum of agreement was executed by both organizations. The MOA*

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College Tuition Savings Plan Advisory Commission to receive allocations from the UNIQUE fund.

*provides a comprehensive framework governing the respective roles and responsibilities of the two organizations.*

Foundation Response:

*We concur. In fact, the Foundation Board during its May 31, 2017, meeting received a detailed presentation on how the daily operational duties relating to the Foundation will be accomplished. In brief, there will be a team of individuals assuming various responsibilities, providing significantly improved internal controls. This structure will remain in place until the Foundation CEO begins employment, and may be revised at that time to reflect the experience and expertise of that individual. The current distribution of duties and any future alignment will comply with the Memorandum of Agreement approved in February, 2017.*

**Observation No. 29**

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**Evaluate Relationship Between Board And Foundation**

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Some members of the Foundation expressed concern about its independence. The Foundation, an independent 501(c)(3) public charity, was at risk to be under the operational control of CCSNH. A Memorandum of Agreement (MOA) was signed by the CCSNH Board and the Foundation in February 2017, which states:

CCSNH in consultation with the Foundation board of directors will evaluate the employees' performance. *Supervision of staff assigned to the Foundation will be by the Chancellor of CCSNH who may delegate responsibility to other CCSNH staff as appropriate. CCSNH will retain the right to control the terms and conditions of employment including the right to hire and terminate employees assigned to the Foundation. [emphasis added]*

According to the New Hampshire Office of Attorney General Charitable Trusts Unit, which has published a *Guidebook for New Hampshire Charitable Organizations*, it is a board's responsibility to oversee the work of the Executive Director. Boards are also responsible for selecting a qualified Executive Director, establishing compensation, reviewing performance, and if necessary, terminating the Executive Director's employment.

In addition to retaining authority over personnel decisions, composition of the Foundation Board also may favor the CCSNH. As of July 2017, the Foundation Board consisted of 19 members representing various groups. However, 11 members were either members of the CCSNH Board of Trustees or appointed by them, or were employees of the CCSNH (Chancellor and seven presidents), potentially giving CCSNH control of the Foundation Board. State law requires a "duty of loyalty," "duty of care," and "duty of obedience" from individuals serving as directors for their respective public charities. These duties make up what are known as fiduciary duties. The Association of Governing Boards of Universities and Colleges states ex-officio members typically are non-voting members. We note statute does not provide voting rights to CCSNH Board of Trustee ex-officio members consisting of the Chancellor and college presidents.

Given the composition of the Foundation Board and employee direct reporting to the CCSNH administration, it was unclear whether the Foundation was structured to operate independently and consistent with guidance published by the New Hampshire Office of Attorney General's Charitable Trust Unit.

**Recommendation:**

**We recommend the Board and the Foundation evaluate the Foundation's independence and take appropriate actions to mitigate any independence issues.**

**Auditee Response:**

*We do not concur.*

*The Community Colleges of New Hampshire Foundation exists exclusively to promote the mission of the Community College System of New Hampshire by seeking and securing private funds and grants in order to supplement and enhance CCSNH's traditional revenue sources. While the Foundation exists as a separate 501(c)(3) corporation, the Foundation's primary purpose is to raise funds for the benefit of CCSNH. For many years, the Community Colleges of New Hampshire Foundation has not been fulfilling its primary fundraising mission. Recognizing this failure, in 2016 the CCNSH board approved a memorandum of agreement (MOA), which was first presented to the Foundation board in the spring of 2016. In Observation No. 28, the auditors recommend the very action that CCSNH has already taken in this respect.*

*It is not uncommon for a community college system or other public higher education institution to have an institutionally related foundation that is a separate 501(c)(3). For example, in 2009, the Foundation for Maine's Community Colleges was created to ensure that Maine's seven community colleges have the resources they need to provide a high quality, affordable, and accessible college education for Maine students. Maine's Community College System and its affiliated foundation work closely pursuant to a memorandum of agreement to ensure that the foundation's work is aligned with the educational institution's priorities. As has been noted by the Council for Advancement and Support of Education (CASE), the educational institution usually establishes funding and usage priorities while the affiliated foundation provides guidance on which projects or purposes are most likely to appeal to donors and cultivates private support to help the institution achieve its goals.*

*The Foundation provides more flexibility to raise funds than CCSNH otherwise has as a public institution. The Foundation provides an opportunity for CCSNH to involve as trustees or donors prominent business leaders, alumni and other successful individuals who are willing to commit their time, resources and talent in order to support CCSNH. By giving to the Foundation, an independent organization, many donors feel assured that their gift will not become confused with state appropriations or other funds.*

*The Foundation, as is common with other institutionally related foundations, is governed by an independent volunteer board. While the independent board includes CCSNH chancellor and college presidents who are also members of the CCSNH board, the Foundation board*



membership is not identical to the CCSNH board. Further, the participation of ex officio Foundation board members (the chancellor and the college presidents) as voting members does not jeopardize independence. Rather, it provides for closer collaboration, better communication and alignment with CCSNH funding priorities. Under the MOA, the two boards have agreed to reduce the number of ex officio Foundation board members to five (the chancellor, two CCSNH board members and two college presidents). Hence, the risk the auditors cite with respect to a majority coming from CCSNH will soon dissipate. Moreover, while ex officio members may not typically be voting members, the practice is not unheard of. USNH board of trustees includes eight ex officio board members (the governor of the state, the chancellor of the university system, the commissioner of agriculture, markets, and food, the commissioner of education, the president of the university of New Hampshire, the president of Plymouth state university, the president of Keene state college, the president of the Granite state college); all are voting members. Hence, the Foundation board membership does not create a risk that the Foundation will not be viewed as a legally separate organization.

The auditors present no legal basis for their observation that having an executive director who reports to the chancellor creates an independence issue. The Association of Governing Board of Universities and Colleges, when commenting on the fiduciary duties of boards of trustees of universities and colleges, stated that:

*Determining what is in the best interest of the institution lies within the sound judgment of the board of trustees under the duty of care. It will necessarily involve a balancing of interests and priorities appropriate to the institution's mission and consistent with its strategic priorities, including explicit attention to the tradeoffs inherent in achieving appropriate balance, such as that between employees' interests (necessary to maintain quality and to protect the institution's assets), student interests (to maintain affordability), physical assets (grounds and buildings), fiscal assets (endowments and fund balances), consumer value of the degree (cost of degree production versus future job earnings), and community interests in the institution (jobs, economic development).*

The Foundation does not have sufficient assets to hire an executive director. In balancing the interests and priorities appropriate to the Foundation's mission and paying attention to the tradeoffs inherent in achieving an appropriate balance, the Foundation expressly agreed to accept the services of an executive director provided by CCSNH. The Foundation board – by allowing CCSNH to retain the power to hire and terminate gained the services of an executive director that it otherwise has no assets to hire – is acting to fulfill its fiduciary duty. The Foundation has reported for years on its 990 and to the New Hampshire Attorney General that its executive director is a CCSNH employee without raising any issue regarding its status as a 501(c)(3) or charitable organization. CASE has noted that it is not uncommon for the CEO or executive director of the foundation to also hold a position within the educational institution. As is the case with CCSNH, such an arrangement is also intended to help maintain open communication between the foundation and the institution it serves.

In 2015, CCSNH recognized that a memorandum of agreement (MOA) was necessary to ensure that the Foundation achieve its fundraising purpose and to better coordinate its activities to

*serve the best interests of CCSNH and its colleges. Among other things, the MOA governs how the two boards interact. Under the MOA, CCSNH and the Foundation officers and board representatives shall hold periodic meetings to foster and maintain productive relationships and to ensure open and continuing communications and alignment of priorities. The very purpose of the MOA was to avoid the significant challenges CCSNH encountered with the Foundation in drafting the MOA.*

*Foundation Response:*

*We do not concur additional action is needed. In January, 2017, the Foundation identified a series of steps crucial to creating an organization that can and will meet its primary mission. As stated in the Articles of Agreement establishing the Foundation in 2000, the “corporation is organized for the principal purpose of seeking and securing private funds and/or grants in order to supplement and enhance NHCTCS’ (now the CCSNH) traditional revenue sources. The Foundation may provide student scholarship assistance, faculty and staff enrichment programs, and educational facilities and support for innovative programs.” To date, the Foundation has not had success achieving that objective.*

*The Foundation is a closely affiliated organization of the CCSNH. In September, 2016, the Association of Governing Boards issued best practice guidance on institution-foundation partnerships. This document provides direction for ensuring the partnership functions effectively and efficiently. The recommendations include establishing a culture of collaboration, mutual determination of foundation responsibilities to maximize benefit to the governing board (CCSNH in this case), periodic review of policies, and unified vision of strategic priorities.*

*After substantive, and sometimes difficult, dialogue concerning how best to move forward, the Foundation Board approved a Memorandum of Agreement that outlines actions that will produce a successful fund raising outcome that achieves our mission. These steps include recruitment of a professional development officer to serve as Foundation CEO, adoption of expectations for board member engagement and contributions, development of a work plan with specific goals, and delineation of fund raising responsibilities for the CEO and campus-based personnel.*

*Foundation board fulfillment of responsibilities listed in the MOA and completion of the above steps will ensure Foundation independence and confirmation of its distinctive role. Under the terms of the MOA, the majority of board members are elected by the Foundation Board, and the board has the authority to terminate the agreement at any time (with six months notice). There has not been and there is no anticipated financial capacity for the Foundation to employ its own staff; the Foundation is reliant on the CCSNH to provide this support. This subsidy is common practice for public institutions and their affiliated foundations.*

*Foundation board participation in the recruitment and evaluation of the CEO and staff provide the input needed to enable objectives to be achieved, while assuring the Foundation board can and will meet its fiduciary responsibilities. The Foundation will independently establish fund raising goals, but consistent with its mission and AGB best practices, those goals will be aligned with CCSNH strategic plans and priorities.*

**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**APPENDIX A  
SCOPE, OBJECTIVES, AND METHODOLOGY**

**Scope And Objectives**

In August 2016, the Fiscal Committee approved a joint Legislative Performance Audit And Oversight Committee recommendation to conduct a performance audit of the Community College System of New Hampshire (CCSNH). We held an entrance conference with CCSNH in August 2016 and obtained legislative approval for the scope of this audit in November 2016.

Our audit was designed to answer the following question:

**How efficient and effective was CCSNH during State fiscal years (SFY) 2012 through 2016?**

To answer this question we determined the following:

1. Were CCSNH administrative operations efficient and effective?
2. Was CCSNH financial management efficient and effective?
3. Was the System Banner Revitalization (SBR) project planned and executed efficiently and effectively?
4. Did CCSNH efficiently and effectively utilize the Community Colleges of New Hampshire Foundation (Foundation)?

**Methodology**

To gain an understanding of CCSNH and its operating, control, and regulatory environments, we:

- reviewed relevant federal laws and regulations; State laws, legal opinions, and rules; relevant legislative committee hearings; Governor and Council minutes; CCSNH Board of Trustees (Board) meeting minutes; Foundation Board meeting minutes; policy and procedures; CCSNH confidential employee handbook; CCSNH missions and goals; budget and financial documents; collective bargaining agreements; CCSNH reports, websites, and organization charts; enrollment and retention data from CCSNH and other community colleges in New England; external and internal audit reports; Foundation documents; prior Office of Legislative Budget Assistant audits and audits from other states; relevant news articles and studies;
- interviewed Board, CCSNH senior management, and key stakeholders;
- attended two Board meetings and one Foundation meeting;
- visited two community colleges; and
- researched recommended practices in public higher education, as well as community college systems and higher education institutions in other states.

To determine how efficient and effective CCSNH was between SFY 2012 to SFY 2016, we:

- interviewed CCSNH management at the Chancellor's Office and each of the seven community colleges;
- visited the primary campuses of each of the CCSNH community colleges;
- evaluated Board attendance and voting practices;
- analyzed academic program reviews to determine whether they comply with CCSNH policy;
- evaluated hiring, evaluation, compensation, and termination practices;
- evaluated purchasing and contracting practices and processes as they pertain to operations;
- reviewed fleet vehicle policies and practices;
- reviewed the internal audit function;
- evaluated capital planning procedures and practices;
- reviewed financial management operations;
- evaluated CCSNH's utilization of the Foundation; and
- reviewed the SBR project to examine whether it was sufficiently planned and executed.

#### *Faculty And Staff Survey*

We also sent surveys to 2,888 CCSNH faculty, staff, and confidential employees employed by CCSNH between SFY 2012 and 2016 to obtain feedback on operations. The primary purpose was to allow all employees the opportunity to comment on CCSNH operations. We used open-ended questions to allow respondents to identify specific issues which may have been of interest to our audit. In general, the survey captured a mix of positive and negative opinions of CCSNH operations and captured a variety of responses to open-ended questions. We used the survey results to inform the direction of our audit work.

Due to confidentiality concerns expressed by staff, and in order to obtain responses from both current and former staff, we mailed a letter to each employee's home containing a link to an electronic survey. All employees, part-time and full-time, confidential and non-confidential, were included in the survey. Of the 2,888 surveys initially sent, 124 letters were returned as undeliverable due to incorrect address records and 157 letters were re-mailed (some multiple times) using forwarding addresses provided by the U.S. Postal Service. We received 680 responses to the survey. Based on this figure, and subtracting the 124 respondents from 2,888 for whom we could not find the correct address, the survey response rate was 24.6 percent.

**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**APPENDIX B  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE RESPONSE TO AUDIT**



July 21, 2017

Stephen Smith, M.S., CPA  
Director of Audits  
Office of the Legislative Budget Assistant  
107 North Main Street  
State House, Room 102  
Concord, NH 03301-4906

Dear Mr. Smith,

Thank you for the work of your team over several months to conduct a performance audit of the CCSNH. Assessment and critical feedback are crucial to our ongoing self-improvement efforts, to serve New Hampshire as an engine both for educational opportunity and for workforce strength. Your report will be very helpful as we continue to build out our policies and operational practices, and shore up areas of concern.

As you have discussed with us, an LBA performance audit is designed to identify weaknesses. It is not designed to construct a balanced picture of organizational effectiveness – that is, it focuses only on the negative, without also describing successes or areas of strong performance. We understand this focus, and although we could construct a companion report that details our many areas of progress, success, and achievement for our students, industry partners, workforce and the state of NH, your purpose is in fact one-sided by design. We thank you for being clear with us in this regard about the nature of your report. We trust that any audience reading the report will understand it in this way, and not interpret it as, by any means, a full picture of CCSNH's organizational performance in fulfillment of its mission, when CCSNH has, in fact, achieved considerable success. This includes prioritizing affordability for NH students and their families, aligning programs with the state's economic needs, bringing innovative best practices to our focus on student success, and much more.

CCSNH is an organization with a broad mission, which includes helping NH residents of all ages, backgrounds and aspirations, in all regions of NH, to become successful in their education and professional pursuits, and aligning efforts to support New Hampshire's economy. Our statutory charge is to "to provide a well-coordinated system of public community college education offering, as a primary mission, technical programs to prepare students for technical careers as well as general, professional, and transfer programs, and certificate and short term training programs which serve the needs of the state and the nation."

CCSNH must be responsive to a host of demands and expectations, and, as such, we undergo several types of accountability-related assessments. Below are three other recent audit types (by no means a

full picture) we provide by way of example, and also to show how we will attempt to interpret and implement the valuable findings in this one.

- Berry Dunn, the largest independent CPA and consulting group in New England, undertook our annual financial audit, sharing results at the end of 2016. Berry Dunn specializes in financial review and assessment and was contracted by CCSNH specifically for thorough review of financials. CCSNH was applauded by Berry-Dunn for having *no material weaknesses in financial statements, and none in internal financial controls*. The one (non-material) weakness identified in the report pertained to a clerical process, and we immediately rectified it. We hope to embark on similar improvement efforts as a result of the LBA audit, to those we conducted after the Berry Dunn financial review.
- Berry Dunn also audited our Information Technology operations and, while impressed with our customer satisfaction as expressed through a faculty and staff survey, and our overall rapidity of change and commitment to improved service delivery, had several recommendations for further bolstering IT security, knowledge sharing and other aspects of technology service management. We have formed a technology task force charged with implementing these recommendations. One recommendation focused on our recent SBR project, and we will detail our work-to-date in our response to this (LBA) audit's observations of SBR rollout over the 2012-2016 audit period.
- All Colleges within CCSNH are thoroughly evaluated as part of institutional accreditation by the New England Association of Schools and Colleges (NEASC). NEASC accreditation is the most critical of all audits, as it is designed and reviewed by academic experts to check the soundness of our operations and our business success in transforming students into successful alumni. We have had helpful feedback from accreditation efforts, though never any results attesting to less than our full competence in meeting our mission and meeting the needs of our students, faculty and staff.

By way of context, it should be noted that over the audit period, CCSNH went through a very significant transition from a state entity to an independent system. Establishing a strong control environment, developing policies and procedures, and aligning administration and personnel appropriately, takes time and we have made much progress in this regard. Since 2007, CCSNH has transitioned administrative functions that include finance, grant administration, legal and risk management, purchasing, capital planning, information technology, internal audit, payroll and human resources. We continue to build policies and operational blueprints in several of these areas.

In this timeframe, CCSNH has seen significant growth in credits sold. From 2010 – 2015 – the latest year for which publicly accessible data on credits sold is available via the Integrated Postsecondary Education Data System (IPEDS) – college credits sold increased by 3.6 percent. This is by far the largest increase in the New England region, with only the Maine system showing any growth over the same timeframe, and that at only .2 percent. More importantly, we have grown in number of total degrees and certificates awarded by 10 percent over the same timeframe, and by over 20 percent in science, technology, engineering and mathematics (STEM) fields. It is not surprising that we are leading the New England region in median earnings of graduates, in six-year graduation rate, and are in a virtual tie with Maine in graduation rate for traditional, full-time students, as defined by the Department of Education. To make these accomplishments during the transition period from state agency is a side point from an audit perspective, but it is important to note that we continue to improve and make changes while emerging

as a leader in higher education in New England. While the LBA performance audit was not designed to focus on these types of accomplishments, we nonetheless raise them as they are very important "performance indicators" to us as we work to meet our mission.

**Overall comments on audit observations**

The large majority of observations fall under the theme of recommendations to bolster written policies in several areas to more effectively guide operations. Many of the observations for the five-year period of the audit have already been addressed over the last two years, and those are specifically documented in the Auditee responses to the individual observations. Most of the others will be addressed within the next 6-12 months as we describe within the report. In the recommendation summary and the individual observations, most of the identified issues can be addressed following the practical recommendations put forward by the auditors.

As you note, "Performance auditing is by its very nature a critical process, designed to identify weaknesses in past and existing practices and procedures." We value the lens through which the performance auditors focus. While the auditors are not in the business of higher education, there are nonetheless business process and other assessments contained in this audit that will be very helpful to CCSNH as an organization to mitigate risk and improve overall performance. We do offer the following as constructive concerns with the audit scope and methodology:

**1. Survey yielded limited range of feedback.** This audit was informed to a significant extent by the comments and opinions of a small percentage of CCSNH employees, and no other stakeholders. Areas of inquiry were identified by a survey sent by postal mail to employees that required two-stage follow-up. Fully 75 percent of CCSNH employees did not respond. For those who chose to participate, the survey only pursued opinions on perceived weaknesses on a narrow slice of operational effectiveness. Respondents who indicated strengths or positive performance were not asked to elaborate, only those with negative opinions were. The survey did not ask in any detail about alignment to CCSNH's overall mission, which, as indicated above, does frame much of our work. We would encourage use of a survey methodology that results in a more comprehensive response.

**2. Lack of benchmarking to objective industry standards.** With frequent references to opinions expressed through interviews and the survey, the audit includes very little objective benchmarking against an industry standard. The opinions of employees are important as one data source, but thorough performance review benefits from closing the loop to understand and report on how CCSNH is benchmarked against objective measures of performance within its industry sector. As the auditors note in the cover letter to the report, "The purpose of the audit was to determine how efficiently and effectively the Community College System of New Hampshire was managed during the State fiscal years 2012 through 2016." The resulting "determination" is made in a vacuum when there is no benchmarking to provide objective measures of comparison such as those we measure ourselves against within the higher education sector.

**3. No input from other stakeholders who are critical to CCSNH mission.** Excluded from the audit entirely is input from any other stakeholders in the CCSNH mission, such as students, alumni, representatives of NH's business and employer community, NH Employment Security, NH Department of Labor, NH Department of Education, and NH Department of Resources and Economic



Development. CCSNH's performance to and for students, industry, and the state is an imperative of our mission, which is "to provide residents with affordable, accessible education and training that aligns with the needs of New Hampshire's businesses and communities, delivered through an innovative, efficient, and collaborative system of colleges." Responsibility to students and industry is core to our mission, yet this perspective is entirely absent from the audit.

Along similar lines, in the auditors' own short list of CCSNH's achievements which the auditors considered noteworthy, none involve student or industry perspective. CCSNH over the last five years has expanded industry partnerships and collaborations in advanced manufacturing, health care, information technology, industrial trades and many other areas. Signature industry programs exist at all our colleges in diverse areas such as nursing, welding, robotics, CNC machining, medical assisting and other areas. The number of STEM and industry relevant programs, enrollment and graduates have increased. There are record number of dual enrollment students taking college courses with CCSNH while still in high school, and record number of transfers and articulation agreements with USNH and other 4-year colleges. And grant and private philanthropic support has been increasing, with this support leveraging state dollars CCSNH receives.

In our discussions with the auditors of the above concerns, we are certainly sympathetic to their explanation of their limited resources and the atypically long audit period that was presented to them as a charge from the Performance Audit Oversight Committee. We note these concerns not to criticize but to point out the limitations of an assessment that does not take into account performance for stakeholders that are core to CCSNH's mission, nor benchmarks to an industry standard. Meeting the needs of our stakeholders significantly shapes and necessitates many of our operational and managerial priorities, and, of course, is governed to an extent by our own limited resources.

Notwithstanding the above concerns, however, we do see many areas in the audit that will help us improve, and for that, we are grateful. Some of these are in broadly themed areas, such as internal controls. Some relate to specific actions or decisions, and we will examine and consider what policies or practices should be changed to guard against future problems.

Finally, we extend our thanks to the audit team for their collegiality and their efforts over the past several months. A lot of hard work has gotten us through administrative separation from the State ten years ago, and, as a public entity serving New Hampshire, we look forward to our continued partnership for many years to come.

Sincerely,



Dr. Ross Gittell  
Chancellor



**STATE OF NEW HAMPSHIRE  
COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**

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**APPENDIX C**

**SURVEY OF COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE FACULTY AND STAFF**

We sent surveys to the 2,888 faculty and staff of the Community College System of New Hampshire (CCSNH) employed between State fiscal year (SFY) 2012 and 2016. Of the 2,888 surveys initially sent, 124 letters were returned as undeliverable due to incorrect address records and 157 letters were re-mailed (some multiple times) using forwarding addresses provided by the US Postal Service. We conducted a telephone survey for one respondent experiencing computer problems. Consequently, we surveyed 2,764 faculty and staff and received 680 responses for a 24.6 response rate. We combined and simplified answers to open ended questions and presented them in topical categories; multi-part responses were counted in multiple categories where applicable. Some totals in the following tables may not add up to 100 percent due to rounding or where respondents could provide multiple responses to the question.

**Q1. Overall, how satisfied are you with the management of the Community College System of New Hampshire?**

<b>Answer Options</b>	<b>Count</b>	<b>Percent</b>
Satisfied	156	22.9%
Somewhat satisfied	142	20.9%
Neither satisfied nor dissatisfied	62	9.1%
Somewhat dissatisfied	139	20.4%
Dissatisfied	168	24.7%
Unsure/No opinion	13	1.9%

*answered question*      **680**  
*skipped question*      **0**

**Q2. In a word or short phrase, why are you somewhat dissatisfied or dissatisfied with management of the Community College System of New Hampshire?**

<b>Categorized Responses</b>	<b>Count</b>
Poor management	107
Poor financial management	66
Lack of support for employees	53
Administrative bloat	33
Decisions do not support students	32
Lack of leadership	28
High management salary	26
Lack of communication	24
Poor use of resources	14
Layoffs	13
Chancellor	12

**Q2. (Continued)**

Low faculty salary	12
Lack of funding or resources	9
Dishonest	8
Understaffed	7
Lack of transparency	6
Top-down management	6
Lack of qualified teachers	4
Intimidation by management	3
Non-uniform policies	3
Need better hiring process	2
Health insurance	2
Old or unreliable equipment	2
Other	31

*answered question*      **306**  
*skipped question*      **374**

**Q3. Under State law, the Board of Trustees is “responsible for ensuring that the colleges operate as a well-coordinated system of public community college education.” In your opinion, how effectively has the Board of Trustees fulfilled this responsibility?**

Answer Options	Count	Percent
Effectively	135	20.1%
Somewhat effectively	141	21.0%
Neither effectively nor ineffectively	84	12.5%
Somewhat ineffectively	116	17.3%
Ineffectively	123	18.3%
Unsure/No opinion	73	10.9%

*answered question*      **672**  
*skipped question*      **8**

**Q4. In a word or short phrase, why do you think the Board of Trustees has somewhat ineffectively or ineffectively ensured that the colleges operate as a well-coordinated system of public community college education?**

Categorized Responses	Count
Board does not understand how colleges function	20
Out of touch	19
Does not operate as a system	16
Poor financial management	16
Board does not recognize poor leadership	14
Lack of support for employees	14
Lack of leadership	14
Lack of communication	13
Board does not listen well	11

**Q4. (Continued)**

Board does not consult college personnel before making decisions	11
Lack of coordination between colleges	11
Board does not know student needs	10
High management salaries	10
Poor management	10
Decisions are not analyzed before being made	8
Education is not a priority to the board	8
Chairman	7
Layoffs	7
No one is held accountable	6
Decisions do not support students	6
Lowering tuition	6
Lack of funds or resources	5
Poor decision making	5
Banner <sup>®</sup>	5
Trustees need to serve shorter terms	4
They have their own agenda	4
Relies on inaccurate information	4
Low faculty/staff wages	4
Should allow colleges to make their own decisions	3
Consistent policies needed	3
Board does not see the big picture	3
Finances above all else	3
Little consideration for adjunct faculty	3
Flawed goals	3
Rubber stamp	2
Cost cutting	2
Few people make decisions	2
Board has no faculty representation	2
Tuition is too high	2
Need more state funding	2
Understaffed	2
Other	52

*answered question*      **238**  
*skipped question*      **442**

**Q5. How effectively has the Board of Trustees managed the Community College System of New Hampshire in a manner which promotes academic excellence?**

<b>Answer Options</b>	<b>Count</b>	<b>Percent</b>
Effectively	135	20.2%
Somewhat effectively	161	24.1%
Neither effectively nor ineffectively	95	14.2%
Somewhat ineffectively	100	15.0%
Ineffectively	103	15.4%
Unsure/No opinion	73	10.9%

*answered question*      **667**

*skipped question*      **13**

**Q6. In a word or short phrase, why do you think the Board of Trustees management of the System has somewhat ineffectively or ineffectively promoted academic excellence?**

<b>Categorized Responses</b>	<b>Response Count</b>
Education is not a priority to the Board	31
Increase in adjunct faculty is bad	23
Poor management	20
Layoffs	19
Lack of support for employees	16
Poor financial management	15
Board disengaged from academics	15
Finances is all that matters to the Board	10
Understaffed	9
Do not know student needs	8
Lack of funds or resources	8
Board does not listen	7
Do not understand higher education	6
High management salaries	6
Low faculty salary	6
Do not analyze before making decisions	5
Lack of leadership	5
Old or failing equipment/technology	5
Decrease in student services	4
Do not consult faculty/staff/students when making decisions	4
Limited support for programs	4
Poor quality of students	4
Lowering tuition	3
No one is held accountable	3
Lack of coordination among schools	3
Rubber stamp	2
Board has its own agenda	2
Lack of communication	2
Lacks qualified teachers	2

**Q6. (Continued)**

Lack of transparency	2
Tuition policy	2
Board does not receive accurate information	2
Chancellor is dictatorial	2
Other	46

*answered question*        **203**  
*skipped question*        **477**

**Q7. How effectively has the Board of Trustees managed the Community College System of New Hampshire in a manner which serves the educational needs of the people of New Hampshire?**

Answer Options	Count	Percent
Effectively	149	22.5%
Somewhat effectively	181	27.4%
Neither effectively nor ineffectively	91	13.8%
Somewhat ineffectively	87	13.2%
Ineffectively	85	12.9%
Unsure/No opinion	68	10.3%

*answered question*        **661**  
*skipped question*        **19**

**Q8. In your opinion, how effectively does the Board of Trustees meet the needs of the Community College System of New Hampshire's employees?**

Answer Options	Count	Percent
Effectively	89	13.5%
Somewhat effectively	123	18.6%
Neither effectively nor ineffectively	71	10.8%
Somewhat ineffectively	127	19.2%
Ineffectively	188	28.5%
Unsure/No opinion	62	9.4%

*answered question*        **660**  
*skipped question*        **20**

**Q9. In your opinion, how effectively does the Board of Trustees meet the needs of the Community College System of New Hampshire’s students?**

Answer Options	Count	Percent
Effectively	125	19.0%
Somewhat effectively	174	26.4%
Neither effectively nor ineffectively	90	13.7%
Somewhat ineffectively	102	15.5%
Ineffectively	104	15.8%
Unsure/No opinion	64	9.7%

*answered question*      **659**

*skipped question*      **21**

**Q10. How effective is the Chancellor’s Office management of the Community College System of New Hampshire?**

Answer Options	Count	Percent
Effective	99	15.1%
Somewhat effective	102	15.5%
Neither effective nor ineffective	75	11.4%
Somewhat ineffective	108	16.4%
Ineffective	167	25.4%
Unsure/No opinion	106	16.1%

*answered question*      **657**

*skipped question*      **23**

**Q11. In a word or short phrase, why did you respond management by the Chancellor’s Office is somewhat ineffective or ineffective?**

Categorized Responses	Count
Poor management	64
Poor financial management	60
Lack of support for employees	42
Out of touch	28
Lack of leadership	24
Administrative bloat	21
Lack of funds or resources	13
Education is not a priority	12
High management salaries	20
Does not know student needs	11
Layoffs	11
Banner®/System Banner Revitalization	11
Does not listen well	10
Does not consult faculty/staff/students	10
Finances is all that matters to the Board	10

**Q11. (Continued)**

Does not understand how community colleges work	8
Lack of communication	8
Understaffed	7
Intimidation from management	6
Decisions do not support students	6
Finances is all that matters to the Chancellor	5
Lowering tuition	5
Has his own agenda	5
Chancellor not present	5
Low faculty/staff wages	4
Unaware of independent college issues	4
Chancellor is dictatorial	4
Does not analyze before making decisions	3
Bureaucratic	3
Cost cutting	3
Chancellor	2
Makes changes without support of faculty/staff	2
Lack of coordination among schools	2
Not sure what they do	2
Top-down management	2
Cronies	2
Decrease in student services	2
Other	40

*answered question*        **276**  
*skipped question*        **404**

**Q12. How efficient is the Chancellor’s Office management of the Community College System of New Hampshire?**

Answer Options	Count	Percent
Efficient	80	12.2%
Somewhat efficient	111	16.9%
Neither efficient nor inefficient	102	15.5%
Somewhat inefficient	99	15.1%
Inefficient	128	19.5%
Unsure/No opinion	136	20.7%

*answered question*        **656**  
*skipped question*        **24**

**Q13. In a word or short phrase, why did you respond management by the Chancellor's Office is somewhat inefficient or inefficient?**

<b>Categorized Responses</b>	<b>Count</b>
Poor management	45
Poor financial management	32
Administrative bloat	29
Banner <sup>®</sup> /System Banner Revitalization	21
Understaffed	21
Layoffs	21
High management salaries	20
Out of touch	18
Lack of support for employees	17
Poor use of resources	15
Does not consult faculty/staff/students	12
Education is not a priority	12
Unresponsive to needs	9
Lack of funds or resources	9
Lack of communication	9
Decisions do not support students	7
Lack of leadership	7
Lack of follow-through	6
Does not know student's needs	5
Does not listen well	5
Intimidation from management	5
Too many initiatives	5
Finances are all that matters to the Chancellor	4
Health plan	4
Increase in adjunct faculty is bad	3
More centralization is needed	2
Makes changes without support from faculty/staff/students	2
Dismissive towards employee	2
Duplication	2
Has his own agenda	2
Unrealistic expectations	2
Other	32

*answered question*      **225**  
*skipped question*      **455**



**Q14. In your opinion, should any of the following administrative areas be consolidated at the system level to obtain greater efficiency? (Select all that apply)**

Answer Options	Count	Percent
Information Technology	107	16.5%
Payroll	174	26.8%
Accounts Payable	135	20.8%
Accounts Receivable	127	19.5%
Accounting	115	17.7%
Finance	110	16.9%
Human Resources	94	14.5%
Fleet Management	75	11.5%
Institutional Research	98	15.1%
Academic Affairs	43	6.6%
Student Affairs	31	4.8%
Purchasing	124	19.1%
None	257	39.5%
Other (please specify)	137	21.1%

*answered question*      **650**

*skipped question*      **30**

**Q15. Do you work primarily at one of the college campuses?**

Answer Options	Count	Percent
Yes	568	87.5%
No	81	12.5%

*answered question*      **649**

*skipped question*      **31**

**Q16. How efficient is the administration of your college campus?**

Answer Options	Count	Percent
Efficient	157	27.6%
Somewhat efficient	186	32.7%
Neither efficient nor inefficient	53	9.3%
Somewhat inefficient	88	15.5%
Inefficient	75	13.2%
Unsure/No opinion	9	1.6%

*answered question*      **568**

*skipped question*      **112**

**Q17. In a word or short phrase, why do you consider the administration of your college campus as somewhat inefficient or inefficient?**

<b>Categorized Responses</b>	<b>Count</b>
Poor management	48
Lack of communication	23
Lack of support for employees	12
Poor financial management	11
Understaffed	10
Out of touch	8
Favoritism	7
Layoffs	7
Intimidation from management	7
Lack of leadership	7
President	6
Academic affairs	6
Unqualified	5
Administrative bloat	5
Unfocused	5
Lack of funds or resources	5
Increase in adjunct faculty is bad	3
Better hiring process needed	4
Dishonest	4
Does not consult faculty/staff/students	4
Revolving door in senior leadership	4
Lack of coordination among schools	3
Lack of transparency	3
Lack of follow-through	3
Unresponsive to needs of faculty/staff/students	3
Does not listen well	2
Does not analyze before making decisions	2
Education is not a priority	2
Enrollment	2
Authoritarian president	2
High management salaries	2
Inept	2
Lack of accountability	2
Low faculty/staff wages	2
Low morale	2
Old/failing equipment or technology	2
Poor use of resources	2
Roles are unclear	2
Unavailable	2
Unorganized	2

**Q.17 (Continued)**

Other	27
<i>answered question</i>	<b>161</b>
<i>skipped question</i>	<b>519</b>

**Q18. What is your primary work site?**

Answer Options	Count	Percent
Great Bay Community College (Portsmouth or Rochester Campuses)	78	13.8%
New Hampshire Technical Institute	135	23.9%
Lakes Region Community College	45	8.0%
White Mountain Community College (Berlin, Littleton, or North Conway Campuses)	39	6.9%
Manchester Community College	74	13.1%
Nashua Community College	98	17.3%
River Valley Community College (Claremont, Lebanon, or Keene Campuses)	41	7.3%
Prefer not to answer	55	9.7%
<i>answered question</i>	<b>565</b>	
<i>skipped question</i>	<b>115</b>	

**Q19. How would you rate the work environment at your campus or office?**

Answer Options	Count	Percent
Positive	234	36.2%
Somewhat positive	148	22.9%
Neutral	84	13.0%
Somewhat negative	105	16.3%
Negative	63	9.8%
Unsure/No opinion	12	1.9%
<i>answered question</i>	<b>646</b>	
<i>skipped question</i>	<b>34</b>	

**Q20. In a word or short phrase, why did you say the work environment of your campus or office is somewhat negative or negative?**

Answer Options	Count
Low morale	27
Lack of support for employees	24
Poor management	24
Workload	20
Understaffed	19

**Q20. (Continued)**

Intimidation from management	16
Low faculty/staff wages	13
Lack of leadership	10
Layoffs	8
Does not acknowledge hard work	8
Old/failing equipment or technology	7
Unqualified	7
Lack of communication	7
Lack of funds or resources	7
Increase in adjunct faculty is bad	6
Lack of trust	4
Poor financial management	4
Does not analyze the problem before making decisions	3
Education is not a priority	3
Administrative bloat	3
Does not consult faculty/staff/students	2
Unavailable	2
Lack of transparency	2
Unorganized	2
Other	39

*answered question*      **169**  
*skipped question*      **511**

**Q21. How would you rate the current morale of the Community College System of New Hampshire employees with whom you directly work?**

<b>Answer Options</b>	<b>Count</b>	<b>Percent</b>
Excellent	77	12.0%
Above average	119	18.5%
Average	166	25.8%
Below average	137	21.3%
Poor	109	16.9%
Unsure/No opinion	36	5.6%

*answered question*      **644**  
*skipped question*      **36**

**Q22. To what extent do you agree with the following statement: “Community College System of New Hampshire leaders work to address employee concerns.”**

<b>Answer Options</b>	<b>Count</b>	<b>Percent</b>
Agree	89	13.8%
Somewhat agree	139	21.6%
Neither agree nor disagree	81	12.6%
Somewhat disagree	117	18.2%

**Q22. (Continued)**

Disagree	179	27.8%
Unsure/No opinion	39	6.1%

*answered question*      **644**  
*skipped question*      **36**

**Q23. To what extent do you agree with the following statement: “The Community College System of New Hampshire is an employer of choice.”**

Answer Options	Count	Percent
Agree	102	15.8%
Somewhat agree	121	18.8%
Neither agree nor disagree	134	20.8%
Somewhat disagree	97	15.1%
Disagree	147	22.8%
Unsure/No opinion	43	6.7%

*answered question*      **644**  
*skipped question*      **36**

**Q24. In a word or short phrase, why did you somewhat disagree or disagree with the statement “the Community College System of New Hampshire is an employer of choice?”**

Categorized Responses	Count
Low faculty/staff wages	81
Not valued by administration	32
Little or no benefits	30
Workload	29
Layoffs	21
Poor management	16
Lack of support for employees	16
Lack of job security	13
Low morale	12
Lack of funds or resources	11
Little concern for professional development	10
Increase in adjunct faculty is bad	10
Intimidation from management	8
Understaffed	8
High management salaries	6
Lack of leadership	6
Politics	5
Poor financial management	5
Does not acknowledge hard work	4
Education is not a priority	4
Lack of a contract	4

**Q24. (Continued)**

Does not consult with faculty/staff/students	3
Good benefits	3
Lack of follow-through	2
Lack of communication	2
Lack of qualified teachers	2
Lack of transparency	2
Stress	3
Low state funding	2
Management-centered	2
Out of touch	2
Administrative bloat	2
Decisions do not support students	2
Top-down management	2
Unorganized	2
Other	66

*answered question*      **245**  
*skipped question*      **435**

**Q25. Do you use the Banner<sup>®</sup> system as part of your work responsibilities?**

<b>Answer Options</b>	<b>Count</b>	<b>Percent</b>
Yes	300	46.6%
No	279	43.3%
Unsure/No opinion	65	10.1%

*answered question*      **644**  
*skipped question*      **36**

**Q26. Starting in 2014, the Community College System of New Hampshire implemented an upgrade to the Banner<sup>®</sup> system. In your opinion, what has been the impact of the Banner<sup>®</sup> upgrade on the following:**

<b>Answer Options</b>	<b>Positive impact</b>	<b>Somewhat positive impact</b>	<b>Neither positive nor negative impact</b>	<b>Somewhat negative impact</b>	<b>Negative impact</b>	<b>Unsure/No opinion</b>	<b>Count</b>
Employee productivity	27 (9.1%)	36 (12.1%)	55 (18.5%)	63 (21.2)	71 (23.9%)	45 (15.2%)	297
Student ability to register online	27 (9.1%)	40 (13.5%)	71 (23.9%)	41 (13.8%)	27 (9.1%)	91 (30.6%)	297
Student ability to transfer credits from one CCSNH campus to another	28 (9.4%)	27 (9.1%)	85 (28.6%)	20 (6.7%)	37 (12.5%)	100 (33.7%)	297
Student ability to transfer grades from one campus to another	28 (9.4%)	27 (9.1%)	91 (30.6%)	17 (5.7%)	35 (11.8%)	99 (33.3%)	297
Student academic success	19 (6.4%)	22 (7.4%)	118 (39.7%)	16 (5.4%)	26 (8.8%)	96 (32.3%)	297
Streamlining Community College System of New Hampshire operations	25 (8.4%)	39 (13.1%)	55 (18.5%)	41 (13.8%)	71 (23.9%)	66 (22.2%)	297

**Q27. In your opinion, did the Community College System of New Hampshire management adequately address employee concerns with the implementation of the Banner® upgrade?**

Answer Options	Count	Percent
Yes	34	11.4%
No	173	58.2%
Don't know	90	30.3%

*answered question*      **297**

*skipped question*      **383**

**Q28. In your opinion, how effectively did the Community College System of New Hampshire management roll out the Banner® upgrades?**

Answer Options	Count	Percent
Effectively	24	8.1%
Somewhat effectively	23	7.7%
Neither effectively nor ineffectively	29	9.8%
Somewhat ineffectively	59	19.9%
Ineffectively	107	36.0%
Unsure/No opinion	55	18.5%

*answered question*      **297**

*skipped question*      **383**

**Q29. Is your position full-time or part-time?**

Answer Options	Count	Percent
Full-time	261	40.8%
Part-time	295	46.1%
I prefer not to respond	84	13.1%

*answered question*      **640**

*skipped question*      **40**

**Q30. What is your position type?**

Answer Options	Count	Percent
Faculty	334	52.2%
Confidential/Non-covered employee	26	4.1%
Other staff	155	24.2%
I prefer not to respond	125	19.5%

*answered question*      **640**

*skipped question*      **40**



**Q31. How many years have you worked for CCSNH or its predecessors?**

<b>Answer Options</b>	<b>Response Count</b>	<b>Response Percent</b>
0-5	240	37.5%
6-10	159	24.8%
11-15	81	12.7%
16-20	51	8.0%
21+	50	7.8%
I prefer not to respond	59	9.2%

*answered question*      **640**

*skipped question*      **40**

**Q32. If you have any additional comments, please briefly provide them here.**

<b>Categorized Responses</b>	<b>Count</b>
Poor management	51
Lack of funds or resources	21
I enjoy my work	21
Low faculty/staff wages	17
Improve financial management	13
Support the faculty	10
Administration is good	9
Cut administrative positions	8
Students are suffering	8
Wasting resources	8
Low morale	7
No support for part-time or adjunct faculty	7
Get input from faculty/staff/students	6
Poor or no benefits	6
Lack of leadership	5
Improve efficiency	5
Lack of transparency	5
Overwhelmed/Burning out	5
Do not lower tuition	4
Banner <sup>®</sup> -Other	4
No benefit of Banner <sup>®</sup> /System Banner Revitalization	4
Hostile work environment	4
Management is out of touch	4
Understaffed	5
Old/failing equipment or technology	3
Need to give equal attention to all colleges	3
Lack of communication	3
Former employee	3

**Q32. (Continued)**

Banner <sup>®</sup> /System Banner Revitalization was expensive	3
Concerned with declining student enrollment	2
Affordable tuition	2
Adjunct faculty is not paid for extra work	2
Banner <sup>®</sup> /System Banner Revitalization should be streamlined	2
Banner <sup>®</sup> /System Banner Revitalization upgrade was too fast	2
Layoffs	3
Bureaucracy	2
More full-time faculty is needed	3
No contracts	2
Employees are dedicated to student success	2
Improve student advising	2
Make students the priority	2
Pay adjunct faculty sooner	2
Students are not well prepared when they enroll	2
The Chancellor's Office overcharges for overhead	2
Increase in adjunct faculty is bad	2
Tuition is too high	2
Other	90

*answered question*      **284**

*skipped question*      **396**

**Q.33 If you would like to receive a link to our report when it becomes public, please provide your email address. After we send you the link, we will delete your email address from our records.**

<b>Answer Options</b>	<b>Count</b>
	205

*answered question*      **205**

*skipped question*      **475**