



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