



September 15, 2008

M E M O R A N D U M

TO: District Board of Trustees
FROM: William D. Law, Jr., President
SUBJECT: Compliance Officer Position

Earlier this year, we received the operational audit from the Office of the Auditor General for the year ending June 30, 2007. That report contained eight findings, some of significant importance some of lesser importance. Soon after the receipt of that audit, we received the annual financial audit, which contained no findings.

As I write this, all findings of the operational audit have been or are being addressed and I have no doubt that they will be corrected. At the same time, a review of the nature of the findings leads me to believe that we must evolve our organization to recognize that we are now a \$55M operation, with an additional \$60M in funds under management of some sort. The previous operational findings did not evidence a pattern of mismanagement, but a series of isolated weaknesses in one or more internal systems (inventory, contract compliance, residency status, etc.). Given the growing sophistication, scope and complexity of our operations I think it is timely to establish an internal compliance function to continuously review and test operational systems.

Working with the executive team, I have crafted a position of Compliance Officer to allow for a structured process of internal review of our day-to-day systems and processes. This individual will execute a plan of work determined by me in consultation with the executive team and will both identify deficiencies and propose refinements of changes needed to improve such systems and processes.

Please note that the role of the Compliance Officer is intended to be more than that of an internal auditor. My intention is to be proactive in the continuous monitoring of our efforts, with a clear emphasis on streamlining and strengthening administrative procedures. An important part of that responsibility is to identify deficiencies as an auditor would; equally important, however, is to examine processes to determine how they can be accomplished more effectively and more efficiently.

The growing importance of this role causes me to proceed with its creation and to fund it for the remainder of this fiscal year from the contingency fund within the operating budget.

The position will have direct access to me as may be needed. Day-to-day supervision will be handled by Vice President Smith. The Board of Trustees will be apprised of the plan of work as a matter of information.

STAFF RESOURCE: Bill Law

RECOMMENDED ACTION:
Approve Compliance Officer Position.