May 16, 2018

Barbara Gellman-Danley, President
Higher Learning Commission
230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411

Dear President Gellman-Danley,

On behalf of the staff, faculty and administration at Luna Community College, thank you for the opportunity to provide a response to the review team's report. As was shared with team members, the process through which the institution met the requirements of the Show-Cause Order has been truly daunting and rewarding all the same. Without question, Luna is a stronger institution as a result of the order.

For an institution with less than 120 full-time staff and faculty, addressing the concerns that were articulated in your Nov. 8 correspondence has been a highly collaborative effort. From the Board, to the students, our collective attention has been placed on implementation and evidence gathering.

Significant improvements to governance, transparency, accountability and ethical conduct have positioned the institution for a successful future. As you're well aware, overcoming the deeply-rooted challenges that face the institution will be a lengthy process. Nonetheless, we believe the review team report cites evidence that supports significant growth over a short period of time. It will be several months before we can generate objective evidence that measures the effectiveness of our work. We also recognize that practices directly related to institutional assessment, and the use of data, are cited as concerns. Included in our response are updates on our progress toward addressing this gap.

We also took note of concerns related to the sustainability of newly instituted practices, specifically in light of an imminent change in leadership. The campus community shares similar concerns, as was evidenced in conversations with the Review Team. We look forward to continued support and oversight by the Commission, and other regulatory agencies within the state, to ensure Luna remains on a path to success. As we move through this recovery, we will surely encounter obstacles that stem from past practices and behaviors. We ask for your continued guidance and understanding as we focus on creating systems of accountability and high expectations.

We appreciate your consideration of the following responses as you reach a recommendation on the institution's accreditation. We look forward to the opportunity to speak before a committee of HLC's Board of Trustees. Should you require anything additional prior to our visit, please do not hesitate to contact me.

2.C Finding: Continued concerns with nepotism at the institution:
The report states, "Currently, there are several individuals employed by the college who are related to Board members."

The New Mexico Higher Education Department (NMHED) audit referenced six instances of nepotism that contributed to appearance of favoritism. The table below provides updates to each instance.

The final row provides a summary of an employee not referenced in the NMHED audit. This individual, who is the son of a Trustee, has been employed with the College for 10 years, about five years prior to his father joining the board. Aside from this individual, only two conflicts remain – the former IT Director who is now an IT Support Specialist and the Life/Safety Manager whose position was reorganized to report to the Chief Financial Officer (CFO). Revisions to policy and hiring processes have been approved and implemented to ensure conflicts involving nepotism do not occur in the future.

Position	Conflict	Update
Assistant Softball Coach	Son of former President	When the former president left the institution, the conflict was no longer present. The employee resigned from the College effective April 25, 2018.
Satellite Director (Springer)	Son of Trustee	Resigned from the college on March 17, 2017
Satellite Director (Santa Rosa)	Wife of Trustee	Resigned from the college on August 4, 2017
HR Director	Niece of former President	When the former president left the institution, the conflict was no longer present. The individual is no longer HR Director, position was reduced to Payroll Administrator.
IT Director	Daughter of Trustee	The individual is no longer IT Director, position was reduced to IT Support Specialist 2.
Life Safety Coordinator	Son-in-Law of Trustee	This individual still holds the position but a re-org reduced his direct oversight from the President to CFO.
Warehouse/Motor Pool Technician (Not referenced in the NMHED report)	Son of Trustee	This individual has been employed with College for 10 years, about five years prior to his father joining the Board. A re-org reduced his direct oversight from the President to the Physical Plant Manager.

2.C Finding: Audit/Finance Committee has not met
The interim president quickly determined that financial decisions throughout FY17 resulted in a campus-wide perception that the institution was operating with limited resources. In some instances, the Board shared this belief. Since July 2017, much work has been done to rebuild fiscal transparency among the

Board and campus community. This effort included the coordination of budget workshops in October and April. Over the past 10 months, the administration has been intentional in discussing the College's finances in open sessions while all members are present.

Additionally, the Audit/Finance Committee participated in the Audit Entrance Conference in July and the Exit Conference in October. More recently, the Committee met to review and rate external auditor proposals. Their recommendation was accepted at the May meeting.

2.C Finding: Concerns related to compliance with the New Mexico Open Meetings Act
The report states, "Since November 2017, the BOT has held open meetings in accordance with the New Mexico Open Meetings Act."

To our knowledge and recollection, the College has never received notification that its Board has been out of compliance with the New Mexico Open Meetings Act. Additionally, as part of the Enhanced Fiscal Oversight Program monitoring, NMHED staff have closely reviewed agendas and minutes for Board of Trustee meetings. The team was provided with evidence that supports the NMHED's review of meeting agendas and minutes. We believe that any concerns related to the Board's compliance with the Open Meetings Act would have been raised by the NMHED. We have not been notified, by the HED or any other agency, of any issues.

4.C Finding: Concerns with the rate at which courses are cancelled
The College believes that this issue stems from turn over in academic department leadership and a need to increase program advisement at the department level. By the end of FY17, three of the College's seven academic director positions were vacant. By the end of Fall 2017, all three positions were filled.

Also in Fall 2017, the administration committed funding to create six new faculty/advisor positions. A seventh position has been added to the FY19 budget, providing this resource to each of the College's academic departments. This measure increased the number of full-time faculty on campus while focusing on the implementation of degree maps.

Additionally, the College has implemented a comprehensive advisement plan that assigns all first-time freshmen to an academic advisor with the College's Success Center. A goal is to reduce course cancellations by assigning students to blocks of courses throughout their first academic year, focusing on developmental courses and those that transfer among programs and institutions.

4.C Finding: Concerns with limitations to the College's online course offerings
Regarding maximum of 49 percent of credits online…" This phenomenon causes enrollment issues later on in their sequence because the majority….are only offered online."

The College acknowledges that past practices were not sufficient to ensure that students did not earn a credential having taken more than 49 percent of their courses via Distance Education (DE). In response, an immediate control was put into place, in Fall 2017, to restrict DE class registration. Permission from an advisor must now be granted in order to enroll in a DE course. Prior to allowing the student into the course, an advisor must conduct an audit to ensure the student is not at-risk for reaching the 49 percent mark.

4.S finding: Concerns with assessment

"There is no evidence of a formal process to gather assessment data, analyze, and implement changes to improve instruction or learning….It is unclear who is ultimately responsible for leading the larger institutional discussions about data collected and improvements that can be made at an institutional level."

A number of assessments are conducted. First, academic assessment is conducted by the Faculty Senate and there have been ongoing assessment activities regarding student learning objectives for years as can be viewed in Faculty Senate minutes and faculty in-service agenda. A faculty assessment panel is facilitating efforts regarding academic program assessment and course assessment utilizing a product called WEAVE. All full-time faculty were trained to use WEAVE at the end of the Spring 2018 semester with a goal to complete 41 program and certificate plans, including incorporation of state-wide general education competencies. Co-curricular assessment planning for non-academic areas will follow suit using WEAVE before Fall 2018 begins.

Co-Curricular Assessment

Co-curricular assessment, defined here as non-academic assessment, involves a number of different clubs, committees, and departments. Clubs provide objectives and evaluate results in final reports at the end of the year. Departments such as financial aid and finance, produce yearly reports in the form of audits. Other departments utilize the strategic plan to update yearly goals and report against them at the end of the year for subsequent revision to their plans. Finally, tutoring services are evaluated through committee and subsequently use data to determine new changes/needs. Evidence was provided in the original reporting document and addendum.

4.C Finding: Institutional Research Activities

An Institutional Research Director had been employed by the College until June 2016; spporting IR efforts was an additional IR specialist who remained after June 2016. Upon departure of the IR director from the College, a committee was established which was comprised of staff, faculty, and administration to make decisions regarding data and analysis of data to guide institutional issues. However, this new committee modified its charge due to its work in two HLC reports within the past year: Special Monitoring and Show-Cause. A revised IR director position was created and is currently advertised on our employment website. The IR director will report to the VP of Instruction. See the history timeline below:

Activity	Date	Evidence
Institutional Research Director/Grant Writer left the College	June 2016	HR contract
IR Specialist Hired	April 2013-Present	HR contract
Creation of institution-wide Instructional Analysis Team for data analysis and reports	November 2016	Minutes (2016-2017) can be found at the bottom of the new Strategic Planning and IA Committee web page.
Refocus of team to HLC Special Monitoring	April 19, 2017	HLC Report

Student Advisement Questionnaire	March 2017	Modifications to advisement
LRC Student Survey	February 2017-June 2017	Modifications to library services
Wellness Center Student Survey	February 2017-June 2017	Modifications to wellness center services
Business Roundup Focus Group	March 24, 2017	Agenda
Institutional Research Director to be hired under VP of Instruction	July 2018	To be Advertised on website 2018/19.

5.A Finding: Concerns related to overstated budgets
The reports states, "This excessive overstating of budgets by 40 percent on average, is evidence the budgeting process needs attention."

In FY11 the college received an audit finding when its budgeted estimate for PELL awards was lower than the actual amount awarded. The College makes estimates on the number of PELL-eligible students in addition to the total each will be awarded. To ensure the finding would not occur in subsequent audits, the College doubled the estimated budget and left it at that level for some years. In FY18 the college reduced the Original Budget to $3,500,000 and the subsequent Final Budget Adjustment to $2,000,000. The Proposed budget for FY19 is also $2,000,000.

The College's budgeting practices related to capital expenditures was also noted as a concern within the context of overstated budgets. Each year the College budgets the total amount available for constructions contracts. These totals include funds available from Severance Tax Bond and GO Bond allocations. These funds are available for multiple years. The practice of budgeting the sum of funds available ensures that we appropriately track unused funding (carryover) from one fiscal year to another. In FY17 the majority of capital expenditures were for P&D (Planning and Design). The majority of costs associated with construction took place in FY18.

5.A Finding: Fixed Assets
The college has a system to capture fixed assets in a "SKEL format" straight from the Accounts Payable module upon purchase/payment. From the SKEL record, the fixed asset staff updates the location, serial number, PO number etc. then a sequential system-generated asset number is assigned.

A fundamental flaw in the process was expecting one or two persons to conduct a 100 percent inventory of the entire college, including remote sites. Contributing to the situation was insufficient oversight and quality control by the supervisor of asset data staff and constant turnover in the department. Compounding the situation was the asset list consisted of hundreds of items over 20 years old, some of which had been disposed of over the years or moved without proper completion of the Inventory Adjustment Form.

In addition, staff did not properly maintain the asset records for periodic dispositions. Consequently, the system-generated reports could not be 100 percent matched with the physical assets making it very difficult to manage and verify. More training and understating of the importance of accuracy is being implemented.

The college utilized an outside firm to inventory all assets, however, the company's work was limited to retagging everything and producing a report showing the retagged items that did not match our system report 100 percent. The college then implemented Phase II of the project.

College staff invested over 1,500 hours to attempt to match physical assets to the report. Each department was given their respective lists at least three times to match assets or update their lists. This detailed process concluded with the final list of items that could not be physically matched or located. That list was submitted to the Board of Trustees for approval of Disposition and subsequently to the Office of the State Auditor and the New Mexico Higher Education Department.

In 2018 the Office of the State Auditor updated the rule, section 2.2.2.10.W, "Capital asset inventory – eliminated the requirement to keep old assets capitalized under historical thresholds (under $5,000) on inventory listing." The rule allows the removal of items under $5,000 without the formal process. Both of these actions will allow the college to have a complete verified list with updated locations and provide each department an accurate list so each department can verify and certify annually.

5.A Finding: Concerns with institutional-wide IT replacement plan
The report states, "Relative to budgeting, each department conducts its own technology needs assessment and makes requests based on that assessment."

Beginning with the FY19 budgeting process, IT purchasing has become centralized, which will allow the College to make bulk purchases, possibly negotiate volume discounts, and increase consistency in models deployed. It will also allow for the implementation of a cyclical replacement plan. It will take several years to move the institutional into a 4-year cycle replacement plan because several systems are older than four years and resources will not allow for a single campus-wide replacement.

Currently the IT department is conducting an audit aimed at updating the IT's asset tracking system. In conjunction with this effort, an oversight transfer of assets from various college departments to IT (only on paper, not a physical move) will take place. This process will create efficiencies when the need to replace equipment arises. Rather than facilitate an inter-department transfer of equipment, the IT Department will manage the tracking and replacement of equipment. This will also help address a belief that equipment is limited to the use by a single department. Ongoing audits to verify equipment location will take place as part of revisions to fixed assets tracking.

5.A Finding: Concerns with lack of budget revisions in light of a decrease in Student Credit Hours (SCH)
The report states, "…the team found no evidence of Luna modifying its budget to meet the drastic change in enrollment versus projections."

The College does not believe that this change to SCH substantiated a revision to the budget. In the current Fiscal Year, total tuition and fees revenue is budgeted at about $900,000, or 9 percent of the college's total estimated revenue. At $38 per credit hour, the 15 percent change to credit hours equates to about $55,000 or .5 percent of the total estimated revenues for FY18.

5.A Finding: Concerns with the College's response to an adverse audit opinion
In reference to the College receiving an adverse opinion for a lack of financial data for the Foundation, the report states,"…there is little evidence from employees, and the BOT that they acknowledge the serious nature of such events."

The college believes it has been vigilant in addressing all findings contained in its FY17 audit, specifically those related to the Foundation. As stated in the Show-Cause report, the issues related to the Foundation's assets stem from the absence of a legally binding agreement which articulates the financial controls, shared oversight for financial data, and roles and responsibilities between the College and the Foundation. Establishing this legally binding partnership was the ultimate goal of the institution's formal response to the audit finding.

The timeline below supports the administration's efforts to appropriately rebuild the relationship with the Foundation while addressing ongoing concerns and inquiries by the New Mexico Office of the State Auditor (OSA).

Date	Activity	Note
October 26, 2017	The college's external auditor provided administration with the audit findings for FY17.	During the audit there was no notification by auditing firm that the college would receive and adverse opinion on its audit.
October 30, 2017	Representatives from the BOT, along with administration, attended the Audit Exit Conference which was conducted by the external auditors.	As is prescribed by state law, this process is not conducted in public and the contents of the audit cannot be discussed until it is first released by the State Auditor. The College first learned it would receive an adverse opinion. Administration contested this determination and expressed concern that such an outcome was never raised by the auditing firm. The College questioned the requirements necessary to be legally bound to report the Foundation's finances in the absence of a legally binding agreement.
November 1, 2017	Administration presented final responses for findings in the FY17 Audit.	
December 18, 2017	College notified that it may release its FY18 Audit on December 23, 2017.	Prior to this release, the College is not allowed to publically discuss the findings.

January 9, 2018	External Auditor presents FY17 Audit to the Board of Trustees.	This was the first meeting following its release.
January 2018	As indicated in its response to the audit finding, the College requested that the Foundation cease all activity and transactions.	With the exception of an outstanding payment to the Foundation's bookkeeper, and to the best of the College's knowledge, all transactions have been limited to interest earnings.
February 2018	College received formal access to all Foundation Accounts.	Both financial institutions have fulfilled this request.
March 28, 2018	The College made a formal request to secure all financial records at Southwest Capital and Community 1st Bank.	Currently, all records are in the College's possession.
April 23, 2018	BOT presented with a Budget Adjustments Request in the amount of $7,000 to secure the services of a CPA who shall utilize the financial records to prepare the FY17 financial statements for the Foundation.	College is in the process of securing these services. Product will become part of FY18 services.
May 2, 2018	The College begins working with the OSA to finalize a scope of work for the College's CPA consultant who will prepare the Foundation's FY17 Financial Statements.	This effort is made to ensure that our work simultaneously fulfills requests that the OSA may have about the Foundation's records.
May 14, 2018	The College completes a high-level organization of the Foundation's financial records. These records are forwarded to the OSA.	This work will serve as the basis upon which a consultant will complete the FY17 financial statements for the Foundation.

It's important to note that no liabilities to the College exist as it relates to Foundation scholarships. In the Fall 2017, when administration opted to suspend scholarship awards from the Foundation, the College utilized its state-mandated Bridge Scholarship Fund to assist two applicants with a balance at the College. This one-time assistance did not exceed $1,000.

Rebuilding the Foundation has become a collaborative effort that includes the assistance of the remaining four Foundation Board Members, Financial Aid staff and the CFO's office. It is expected that these individuals play an active and ongoing role in Foundation business.

The report states, "Luna's current failure to attend to the external audit findings and the absence of succinct instructions from the Board for addressing noted inadequacies, provides evidence of either a lack of attention to the serious nature of the audit or a wholesale non-compliance with audit findings."

The above statement does not reflect the process by which external audits are conducted in the state of New Mexico. The external auditor is responsible for providing the administration with a summary of draft findings prior to the Audit Exit Interview. At this time the audit is in draft form and cannot be disclosed publically.

The administration prepares responses to the findings. During the Audit Exit Conference, the external auditors summarize the audit process, answer questions about the findings, and fulfill other statutory responsibilities. Once more, State Statute does not allow for the audit to be discussed publically. Board members were present at the Audit Exit Conference.

The external auditors then submit the audit to the OSA who notifies the institution when the audit can be released to the public. Once this process is complete, we may discuss the contents and findings in an open session. At this point, the administrative responses to findings have been drafted and effectively accepted by the OSA.

The perception that the Board did not attend to these findings is really a consequence of procedural requirements as opposed to complacency or "whole-sale non-compliance."

5.B Finding: Concerns with Board dissent

The report states, "The HLC Review Team asked repeatedly for both the BOT signatures on the Ethics Statement and the Foundation Audit, Neither was provided to the team."

We are unclear about the reference to a Foundation Audit that was requested by the team. The Foundation's financials are provided as a component unit of the College's audit. The College received an adverse opinion because the Foundation was unresponsive in providing the financial data necessary to complete the financial statement, nonetheless the College's FY17 audit was provided. The statement above suggests a lack of cooperation with a request made by the review team. More accurately, if items were not available, or nonexistent, they were not produced.

The College provided the Team with the BOT signatures on the Ethics Statement. During the entrance meeting, review team members confirmed receipt and asked if it was intentional that one was missing. Administration confirmed that one member refused to sign.

The report went on to indicate that one Trustee vocalized concerns with the timeline for the presidential search. It's of value to note that the Trustee who refused to sign the Conflict of Interest Statement is the same who expressed concerns with the timeline for the presidential search. The College requests understanding that it has limited control over the actions and behaviors of a single Trustee. We have however, provided evidence that the remaining Board members have made strides in embracing the limitations, powers and responsibilities of their role.

Since the Show-Cause Order was issued, two Trustees have resigned from the Board, the most recent in April. Since then, one of those vacancies has been filled and the College is soliciting applications to fill the second. By law, the remaining Board members are responsible for filling these vacancies. Law also requires that the two, newly-appointed trustees, run for re-election in the next election which will take place in November 2019.

In total, six of the seven trustees will have terms that expire in November 2019. We expect that the Show-Cause Order will impact the number of trustees who seek a new term and voter participation in the election process.

Should significant transition among the Board take place, newly adopted policy pertaining to BOT training has been adopted to ensure all new members undergo a comprehensive orientation. The policy requires that the following competencies are address.

- Board policy manual, other institutional policies and handbooks.
- A formal review of the legal and budgetary oversight responsibilities of the Board.
- A formal review of the institutions strategic plan, priorities and progress made against each.
- A comprehensive review of the institution's enrollment and completion trends over a reasonable period of time.
- Materials pertinent to meetings, and order of operations and business.
- Comprehensive review of the institution's budget and its financial strengths, opportunities and challenges.
- Other information and activities as the Board or President deems useful in fulfilling the role of a Board member.

5.C Finding: Concerns with a Strategic Plan which due for updates
The report states, “With the 2013-2018 Strategic Plan sun setting and a new plan not yet begun, budgets are executed strictly by department.”

The basis for department planning and budget development is the strategic plan. During the budget development process, administration considers department-level initiatives and uses the Strategic Directions as the basis for which priorities and requests are funded.

On April 23, 2018, administration presented the Board with an overview of the FY19 Budget Proposal. The presentation links new initiatives to the Strategies Directions of the institution.

The report also states, “The President and his staff, in a meeting with the team, expressed the desire to modify the existing Strategic Plan for 2019 and beyond.”

More accurately, during the meeting with the Review Team, administration shared that the Strategic Planning and Institutional Analysis Committee is in the process of conducting a review and analysis of the current Strategic Plan. It was further shared that this process would yield the degree to which the plan needed to be modified.

The process above is consistent with the Board’s assertion that “the President and staff we responsible for development of the new plan.” It was collectively determined that revising the strategic plan during the Show-Cause Order would have had a significant impact on our ability to generate evidence for the show-cause report, specifically evidence linking institutional practices to newly revised goals.

5.D Finding: Concerns with academic assessment
The report states, "The academic plan is simply a list of objectives. The student services plan lists start of activity, resources, individuals, and desired results. However, this plan already has completion dates and results for May 2018 and May 2019, which are chronologically premature….There is no evidence that these plans are linked in a way to assist the College in meeting its standards of performance."

The academic plan mentioned is an overview of all plans submitted to the VP of Instruction for a given year. Each academic department, however, prepares a strategic plan and an end-of-year report to review the current goals, and submits them to the VP of Instruction. The strategic plan contains activity, required services, and desired results which is common to all plans. If there are results identified in future years, such as those listed by student services, they are projected results only.

It is true that formats vary. Departments were allowed to use different formats. The issue of formatting is to be revisited in the next master strategic plan update. This is an area where the College can improve. The results of the academic plans are linked to an end-of-year report and to annual budget requests. What is important to the College is that departments use the same goals.

Final Remarks
We understand that a special monitoring visit in June 2017 took place to investigate matters pertaining to Criterion 2 and 5 of the Higher Learning Commission's requirements for accreditation. Following that visit, it was determined that the College was out of compliance with Components 2.A, 2.C and 5.B. Following months of growth and focus, specifically in these two areas, questions remain about how the recent review suggests regression in all components of Criterion 5. We are mindful that recent developments pertaining to the College's Foundation played a role and perhaps those findings were more significant and broadly applied than we estimated.

Should the College be provided with an extended opportunity to demonstrate competence in these areas, we embrace the responsibility to better understand the application of competencies for accreditation, specifically those for Criterion 5.

The College is prepared to continue the lengthy process of rebuilding and strengthening areas that do not yet meet the criterion for accreditation. Once more, thank you for your consideration of the above narrative. We truly look forward to meeting with you and Board members at the May 21 Committee Hearing. Please do not hesitate to contact me with any questions.

Respectfully Submitted,

Ricky A. Serna
Interim President