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# AUDIT AND BUDGET COMMITTEE MINUTES

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Coast Community College District\*

Regular Meeting of the Audit and Budget Committee

March 3, 2016 at 1:30 p.m.

Board Conference Room

1370 Adams Avenue, Costa Mesa, CA 92626

## Procedural Matters

### 1. Call to Order

The meeting was called to order at 1:38 p.m.

### 2. Roll Call

Trustees Present: Trustee Mary Hornbuckle and Trustee Jerry Patterson  
Trustees Absent: None

**In Attendance-** Mr. Gene Farrell, Interim Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Ms. Daniela Thompson, Administrative Director, Fiscal Affairs; Ms. Julie Frazier-Mathews, District Director of the Office of the Board of Trustees/Secretary of the Board; Ms. Rachel Snell, Director of Internal Audit; Dr. Dennis Harkins, Orange Coast College President; Ms. Janet Houlihan, Golden West College Vice President of Student Life and Administrative Services; Mr. Dana Swart, District Controller; Ms. Christine Nguyen, Coastline Community College Vice President of Administrative Services; Ms. Kathy DeSalvo, Internal Audit; Ms. Helen Rothgeb, Coastline Community College Director of Business Services; Dr. Rich Pagel, Orange Coast College Vice President of Administrative Services; Ms. Denise Kahlen, Golden West College Fiscal Services Department Representative; Ms. Katie Humerian, Board Office Coordinator; Ms. Renee Graves, VLS Representative; Ms. Tina Henton, VLS Representative

### 3. Opportunity for Public Comment

There were no requests to address the Audit and Budget Committee during Public Comment.

### 4. Approval of Minutes: Meeting of November 12, 2014

On a motion by Trustee Patterson and seconded by Trustee Hornbuckle, the Committee voted to approve the minutes of the Regular Meeting of November 12, 2014.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Patterson  
No: None  
Absent: None

### 5. Selection of Chair and Vice Chair for the Audit and Budget Committee

On a motion by Trustee Patterson, seconded by Trustee Hornbuckle, the Committee voted to elect Trustee Patterson as Chair of the Audit and Budget Committee.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Patterson  
No: None  
Absent: None

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## **6. Review, Discuss and Possible Action regarding the External Auditor Report**

Ms. Renee Graves and Ms. Tina Henton gave a report regarding the External Auditor Report. Ms. Graves gave an overview of the audit services and objectives in the overall plan to accomplish the External Audit for the year ending June 30, 2016. Part of the services include looking at internal controls, but only to the extent to which they need to plan the rest of their audit. If they do find weakness in internal control systems, they will bring that to the attention of management and/or the Audit Committee. She explained how they will audit the Statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and other fiduciary statements through June 30, 2016. The audit will be in compliance with Federal and State requirements, as well as the Uniform Grant Guidance and the CCCCCO.

The External Auditors will also be conducting the Proposition 39 Measure M financial and performance bond audits, in compliance with the Education Code and the California Constitution. Coast District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast Foundation and Enterprise Corporation are also included in their scope of work for the audit.

The communication from the External Auditors to the Audit and Budget Committee will include a variety of standards they are required to report on, significant findings, a recommendation and any issues that may come up during the process. An expected timeline has been laid out in the report and testing will begin on March 28, 2016. They will look at internal controls, the payroll process, cash handling and will meet with directors to learn what is uniquely happening at each campus. A draft of the External Audit report will come back at the November 16, 2016 Board Meeting. The items of consideration for the Audit include Litigation Review, Consideration of Fraud and State Compliance Objectives.

The final pages of the report include new Governmental Accounting Standards from the Governmental Accounting Standard Board (GASB). It was reported there are nine new standards and three to four of those standards apply to the 2015-2016 fiscal year. Ms. Tina Henton highlighted GASB No. 76, 72, 74, 75, 79 and 80. There are currently seven GASB exposure drafts, with implementation dates ranging from fiscal years 2017-18 through 2019-2020.

Ms. Snell clarified if the External Auditors find issues related to internal controls, Internal Audit can assist in updating policies, procedures, and provide training for staff. Internal audit can help facilitate for External Audit since they are always on site and already have communications in place which can leverage what External Audit needs to do.

## **7. Review, Discuss and Possible Action regarding the Governor's Budget Proposal**

Dr. Andy Dunn reviewed the draft 2016-2017 Preliminary Budget Development Report, which also included the Governor's Budget Proposal and Preliminary Budget Assumptions. Dr. Dunn highlighted the final recalculation in the 2014-2015 year as well as Coast's fund balance in comparison to comparable districts. He summarized the Governor's Budget Proposal, which included a COLA of 0.47%, \$200 million towards workforce development, \$30 million towards Basic Skills, \$25 million towards innovation, no change to Student Fees and \$5 million towards zero textbook cost degree. \$48 million is designated for CTE Pathways (SB 1070) with a goal to make it permanent, and 3% of that amount will go to Coast Community College District. There were modest changes to apprenticeship programs and Cal-Grants.

In regards to the FTES Multi-Year Outlook, Dr. Dunn reported the District will run flat in the 2016-2017 year and projected a 1% annual growth in the future. He is taking into consideration the shrinking enrollment in the high schools.

One of the biggest challenges relating to Categorical Program Funding is the state still treats programs like SSSP as categorical instead of ongoing. There are constraints on the resources the Governor has given in terms of the ability to execute on those resources.

The health benefit year lags behind the fiscal year. Therefore, Dr. Dunn did not have preliminary data for the upcoming year. In regards to budget model, the budget allocation will be framed on \$32,626 FTES and will include the 0.47% COLA.

One GASB requires the recognition of the full value of pensions or pension liabilities. Each year, the employer match for both STERS and PERS increases. The pension obligation for current employees went up by \$1.19 million. By year 2020, to simply maintain the pension obligations for the current population of employees, an additional \$11.4 million per year must be spent. The State is saying that gap needs to be closed in 6 years, which would be very disruptive to the spending plan.

Dr. Dunn reviewed the 2016-17 Preliminary Budget Assumptions, which include maintaining compliance with the 50% law, COLA at 0.47%, growth budgeted at zero and targeting faculty hires consistently with the faculty hiring plan. He also reported on a statewide bond, which if it passes would provide Coast with \$55 million. There are eligible projects at Golden West College for \$22 million and at Orange Coast College for \$33 million.

At a recent budget workshop, Dr. Dunn reported neither the Department of Finance nor LAO were forecasting a recession. Currently, two-thirds of State General Fund Revenues come from the Personal Income Tax, half of which comes from the top 1% of tax payers. A falling stock market could reduce capital gains income and the total General Fund revenues. Dr. Dunn will bring this report to the March 16, 2016 Board Meeting

**8. Review, Discuss and Possible Action regarding the Preliminary Budget Assumptions**

This item was discussed previously in the meeting.

**9. Review, Discuss and Possible Action regarding the Internal Audit Quarterly Report**

Ms. Snell gave a report on Internal Audit and summarized the projects they have completed on the District-wide Audit matrix. It was requested by Trustee Hornbuckle that a sample page of the District-wide Audit Matrix be included in the March 16, 2016 Board Agenda. Some of these completed projects include a Grant Monitoring Best Practices project and completing BP 2905.

Internal Audit has many ongoing projects, such as GWC Student Expenditures and a Financial Aid draft report. They have also made changes to BP and AP 3600 and are currently putting a training procedure together for the Foundations, Student Governments, Enterprise and the Fiscal Department.

The review of Swap Meet Operations is also in progress. There have been operational changes and they are hoping to put into place policies and procedures to help improve internal controls, provide training opportunities and look at what is happening operationally between the Orange Coast College and Golden West College swap meets. Ms. Snell addressed the issue of cash handling and credit cards at the swap meets and potential issues that would arise in determining which approach is best.

Ms. Snell reviewed other services Internal Audit has been a part of this spring, including a Fraud Conference, a doctoral class at California State University Long Beach and the Retirement Board. This report will be coming to the March 16, 2016 Board Meeting.

**10. Future Meeting Dates:**

Committee members discussed future meeting dates.

On a motion by Trustee Patterson, seconded by Trustee Hornbuckle, the Committee voted to approve the meeting dates of May 19, 2016, August 25, 2016 at November 9, 2016 at 1:30 p.m.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Patterson  
No: None  
Absent: None

#### 11. Future Agenda Items

The Committee added the following for future agenda items:

- a) Review May Revise
- b) Review Coast Tentative Budget
- c) Discuss Final Budget Development
- d) Internal Audit Report

#### 12. Adjourn

On a motion by Trustee Patterson, seconded by Trustee Hornbuckle, the Committee voted to adjourn the meeting at 3:11 p.m.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Patterson  
No: None  
Absent: None



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Julie Frazier-Mathews  
District Director of the Office of the Board of Trustees/ Secretary of the Board

*\*The Committee may take action on any item listed on this agenda. Under the Brown Act, the Public has the right to receive copies of any non-exempt public documents relating to an agenda item that are distributed to the committee members. Please contact the Office of the Board of Trustees at 714-438-4848 prior to the meeting to facilitate the distribution of these documents.*