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# AUDIT AND BUDGET COMMITTEE MINUTES

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Coast Community College District  
Special Meeting of the Audit and Budget Committee  
August 24, 2017  
Board Conference Room  
1370 Adams Avenue, Costa Mesa, CA 92626

## Procedural Matters

### 1. Call to Order

The meeting was called to order at 10:03 a.m.

### 2. Roll Call

Trustees Present: Trustee Mary Hornbuckle and Trustee Jim Moreno  
Trustees Absent: None

**In Attendance** – Dr. John Weispfenning, Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Daniela Thompson, Administrative Director, Fiscal Affairs; Rachel Snell, District Director of Internal Audit; Kelsey Griffin, Office Coordinator; Rene Graves, CLA Representative; Tina Henton, CLA Representative; Helen Rothgeb, CCC Director of Business Services and Entrepreneurship; Connie Marten, GWC Staff Development Trainer; Dr. Rich Pagel, OCC Vice President of Administrative Services; and Christine Nguyen, CCC Vice President of Administrative Services.

### 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 May 25, 2017

On a motion by Trustee Moreno, seconded by Trustee Hornbuckle, the Committee voted to approve the minutes of the Special Meeting of May 25, 2017.

Motion carried with the following vote:

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

### 5. Review, Discuss and Possible Action regarding Final Budget

Dr. Dunn gave the Committee an overview of the Final Budget:

- Dr. Dunn began the 2017-2018 Fiscal Year Final Budget presentation.
- He provided a summary on what had changed between the Tentative Budget and the Final Budget. He also summarized the Governor's Budget to the Committee.
- He explained that the total beginning fund balance for the District for Fiscal Year 2017-18 was just under \$41 million, which was a \$7 million drop from the prior year. These numbers reflected the Board's Policy adjustment to have a total 10% reserve; 5% for contingencies and 5% for ancillaries.
- In the FTES (Full-Time Equivalent Students) Trend Analysis, Dr. Dunn reported that FTES was below base and we were receiving stabilization funding for the 2016-17 year. The current year, 2017-18 would have to return to base, ideally all with earned FTES, however, the last few years have suggested that there would need to be some amount of borrowing.

- If a class was filled to capacity, there would be a 100% fill rate. Dr. Dunn explained that the District was below that, which would be an indicator of efficiency.
- Dr. Dunn reported that even in the face of declined enrollments we were continuing to increase the number of sections offered, but were not generating the FTES that was necessary. He explained that productivity was down, which spoke to class size and cost of instruction.
- Estimated 2017-18 UGF (Unrestricted General Fund) revenue and expense were a little over \$7.5 million in new revenue and about \$11.7 million in new expenses, so the District was deficit spending this year at about \$4.2 million and would likely be continued in the future. Dr. Dunn stated that this year would need to become a year of planning and the following year would become a year of beginning to execute the plan.
- Dr. Dunn focused on the two biggest changes in revenue from June, when the tentative budget was adopted, and now – COLA went from \$1.48 million to \$1.56 million and base augmentation went from \$750,000 to \$4.9 million.
- It was recommended that the Board adopt the final budget at the September 6, 2017 Board Meeting.

#### **6. Review, Discuss and Possible Action regarding Final Strategic Fiscal Plan with Executive Summary**

Dr. Dunn reported very little substantive change between the time of tentative and now. Added footnotes; no other updates since the Board had last seen this document.

#### **7. Review, Discuss and Possible Action regarding Internal Audit Quarterly Update**

Ms. Snell reported on projects that had been completed since the June update, projects that were in progress and miscellaneous projects that would be performed by Internal Audit.

- Completed projects: Ms. Snell provided an overview on the new department website. She also explained that with the website, there would be a new Fraud, Waste, Abuse Online Reporting Form. This form could be submitted anonymously by anyone who identified concerns within the District.
- Projects in progress: Ms. Snell reported that Internal Audit would provide a ten to fifteen-minute PowerPoint presentation on Fraud, Waste, and Abuse Training to the District and three campuses. This training would educate the stakeholders and market the services of Internal Audit district-wide, which would show employees what red flags they should look for.

#### **8. Review, Discuss and Possible Action regarding External Audit Report**

- Ms. Graves, CLA representative, stated that the Fraud, Waste, Abuse Online Reporting Form would be the number one thing that would protect the District. There had been studies on fraud and they were not found by external auditors, they were found internally and this hotline would be one of the best ways to get this information out.
- Ms. Graves reported that the District would be required to implement 74 and 75 GASB, but would not need to until next year. She recommended implementing both standards together.
- Ms. Henton, CLA representative, reported that CLA had not yet implemented Data Analytics, however, starting next year it would be required to incorporate it in all audits. The program would get information from the District office and campuses and would run through Data Analytics. There would be a risk assessment to be completed, which would focus on journal entries that seem to be duplicated, things that were entered in odd hours by people who should not have made journal entries, as well as trends of how much a particular vendor had been used and how much was paid to them, and it would also compare employee databases.
- Ms. Graves followed up on the three prior year audit findings. Two were related to financial aid and no exceptions were found on this year's testing, so those findings were rectified. The last finding was on the process to close the books. A consultant was brought in to get up to date on bank statements and that was moving along nicely.
- Interim work for state compliance had no findings and federal compliance was not finished yet, but also had no findings.

- Ms. Graves reported that CLA was looking into auxiliary funds on the campuses. There were two adjustments that would be proposed to Orange Coast College; one in auxiliary funds and one in ASG funds. Both had to do with accruals- receivables that should have been accrued at the District's end, were not. She reported that they would work closer with the campus about their cut off procedures to prevent this in future years.
- Ms. Graves reported that they were looking into the payroll process. The payroll department currently entered all employees into the system, made wage changes and performed their own audit internally. Ms. Graves wanted to see those duties segregated to prevent discrepancies as soon as possible.
- In regards to State Compliance, Ms. Graves stated that there was a little confusion with the Triple SP Program - the reporting from the campuses was not as timely as they needed to be to the District office, so the District could report to the Chancellor's office. As a result, there were some services offered to the students that were under reported.
- Ms. Graves provided an update on the testing of 50% Law Compliance and reported that the testing had not been completed because they had not received information from campuses and Human Resources.

**9. Review, Discuss, and Possible Action regarding Fourth Quarter Finance Report, for the period ending June 30, 2017**

Dr. Dunn stated that there was nothing to be reported for Fourth Quarter Finance.

**10. Future Meeting Dates**

Due to the scheduled Board Meeting, the Committee members agreed to move the meeting date from November 15, 2017 to November 9, 2017 at 10:00 a.m. with a presentation of the draft external audit.

**11. Future Agenda Items**

The Committee added the following for future agenda items:

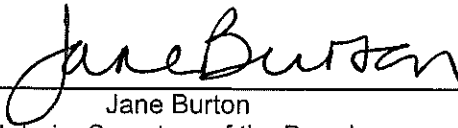
- a) Internal Audit Quarterly Update
- b) External Preliminary Report (requested to be the first agenda item)

**12. Adjourn**

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to adjourn the meeting at 11:40 a.m.

Motion carried with the following vote:

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

  
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 Jane Burton  
 Interim Secretary of the Board