
AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District
Special Meeting of the Audit and Budget Committee
February 22, 2018 at 10:00 a.m.
Board Conference Room
1370 Adams Avenue, Costa Mesa, CA 92626

Procedural Matters

1. Call to Order

The meeting was called to order at 10:00 a.m.

2. Roll Call

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

In Attendance – Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Dana Swart, Controller, Accounting; Daniela Thompson, Administrative Director of Fiscal Affairs; Rachel Snell, District Director of Internal Audit; Janet Houlihan, GWC Vice President of Administrative Services; Dr. Rich Pagel, OCC Vice President of Administrative Services; Christine Nguyen, CCC Vice President of Administrative Services; Rachel Kubik, Director of Fiscal Services; Fred Rocha, Executive Director Information Technology; Derek Bui, Payroll Systems Manager; Kristen Kim, Executive Assistant to the Vice Chancellor; and Jane Burton, Board Secretary.

3. Opportunity for Public Comment

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

4. Selection of Chair and Vice Chair of the Audit and Budget Committee

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee appointed Trustee Moreno to serve as Chair and Trustee Hornbuckle to serve as Vice Chair.

Motion carried with the following vote:

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

5. Approval of Minutes: Meeting of November 9, 2017

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the Special Meeting of November 9, 2017.

Motion carried with the following vote:

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

6. Review, Discuss and Possible Action regarding External Audit Report

Dr. Dunn reported that the External Audit Report in agenda item #6 was embedded into the Budget Update in agenda item #7.

7. Review, Discuss, and Possible Action regarding Budget Update

Dr. Dunn provided updates regarding the External Audit Report within the Budget Update:

- Compared to ten other multi-college districts, Coast Community College District reported a fund balance at 9.7, while the statewide average was reported at 21.2.
- Eligibility for Retiree Health Benefits was changed from 10 years of service at age 55 to 15 years of service at age 60. This would have a long term effect on total liability, which was reported as dropping from \$116 million to \$103 million. Similar trends with the ARC (Annual Required Contribution) were reported.
- Status of Prior Year (PY) Audit Findings: The two audit findings last year dealt with reconciliation and closing procedures and with internal control issues.
 - i. Reconciliation and Closing Procedures:

Mr. Swart provided an update on resolving last year's findings regarding these procedures. The department established a matrix for time lines, reconciling and receiving reimbursements from the campuses on a monthly basis and bank reconciliations with the suggested adjustments to realign with bank balances and general ledgers. Additionally, they posted the adjusting entries that are required based on those reconciliations and hired new full time staff. Dr. Dunn reported the consolidation of three City National Bank accounts into one Union Bank Account; another step in the process towards more effective management of the reconciliations process.
 - ii. Internal Controls – Payroll Segregation of Duties and Personnel Files with a Status of the ePAF implementation:

Mr. Bui provided an update on resolving last year's findings regarding internal controls. The Payroll Department engaged with the Fiscal Department and provided a compensating control; observing pay rates, PAR, source documents which created a form of check and balance within the process. The ePAF implementation would render larger segregation of duties within the departments. Mr. Rocha reported that ePAF would provide the ability to capture who is performing what action in the process, would provide a clear documentation path that would illustrate who received the form, who signed off on the form, who promoted the action and who executed the action. Although ePAF began as an HR project, it quickly encompassed other departments. The first phase went live and the implementation would continue in phases throughout the month of March.
- Summary of Entrance Meeting: Dr. Dunn provided an update of the February 14th Entrance Meeting. A secure internal portal was established for storage of all documents that stakeholders would have access to. Ms. Thompson developed a responsibility matrix, assigned tasks, parties, and dates for delivery to the external auditor. Ms. Snell would meet regularly with the Chancellor to keep him apprised of this process. All financial aid engagements, reports, and interactions would need to be coordinated through Dr. Serban's office. The targeted schedule for a presentation from the external auditors to the full Board of Trustees would be the second November Board meeting with an Audit and Budget Committee meeting proposed for November 7, 2018 and the external auditor's final District visit in late August with preliminary visits and close end dates. There would be a follow up after preliminary visits to confirm all these dates.
- Dr. Serban reported that the P1 FTES enrollment report was the first annual projection filed on January 15, 2018, the P2 (second annual projection) would be filed April 20, 2018, and the final Annual Report would be due July 15, 2018. Under the current model, there would be a November 2018 deadline for the submission of a revision, and February 2019 would present the final numbers of FTES to be funded for Fiscal Year 2017-18. The P1 FTES report that Ed Services filed with the state January 15, 2018 demonstrated a need to borrow about 450 FTES, which was based on an estimation from the colleges of what they think enrollment for their winter and spring sessions would be. However, enrollment was lower than estimated and the need to borrow, in order to reach base, would be closer to 1000 FTES from Summer 2018.
- 50% law began to decline; a function of spending commitments, continued flat enrollments, and deficit spending.
- The Governor proposed \$275 million for a block grant for physical plant and constructional equipment.

- Prop 51 spending plan included the Language Arts Building at Golden West College.
- Proposed Funding Formula: \$175 million to support the transition to a new formula, would receive an increase based on increased FTES or would receive a one-year hold harmless based on decreased FTES, restoration would have a three-year window, allowed to borrow through Fiscal Year 2018-19, but would be prohibited in following years. Borrowing and stability was used as an artificial construct to keep revenue higher than it would otherwise be when simply relying on actual earnings. No anticipated change in growth was seen for Fiscal Year 2017-18 or Fiscal Year 2018-19 and with pensions and health costs continuing upward and commitments to above COLA compensation, there would be a high need to begin corrections on the spending side of ledger to balance our budget and articulation of a plan to balance revenue and expenses in the coming years.

8. Review, Discuss, and Possible Action regarding Internal Audit Quarterly Update

Ms. Snell provided an update regarding the Internal Audit Quarterly Update:

- Finished the Fraud, Waste, and Abuse Training.
- New projects were started in January 2018.
- Due to findings from last year's external audit, the Chancellor had asked Internal Audit to take a greater role in facilitating conversations and flow of information to leadership teams to ensure information is returning to the respective audit teams in a timely manner.

9. Future Meeting Dates

- May 31, 2018 at 10:00 a.m.
- November 7, 2018

10. Future Agenda Items

The Committee added the following for future agenda items:

- Tentative Budget Framework
- Update on External Audit
- Report on Internal Audit
- Discussion of Budget Reduction Strategies

11. Adjourn

On a motion by Trustee Moreno, seconded by Trustee Hornbuckle, the Committee voted to adjourn the meeting at 11:10 a.m.

Motion carried with the following vote:

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



Jane Burton
Secretary of the Board

