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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

November 14, 2019

Board Conference Room

1370 Adams Avenue, Costa Mesa, CA 92626

## 1. Call to Order

The meeting was called to order at 2:00 p.m.

## 2. Roll Call

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle

Trustees Absent: None

**In Attendance** – Dr. John Weispfenning, Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology, Dr. Marco Baeza, Vice Chancellor of Human Resources, Daniela Thompson, District Director of Fiscal Services; Rachel Snell, District Director of Internal Audit; Derek Bui, CCC Director of Business Services; Paul Wisner, GWC Director of Business Services; Rachel Kubik, OCC Director of Business Services; Dana Swart, Controller, District Accounting, Tanya Tran, Budget and Grants Manager, Renee Graves, CLA Principle Auditor, Dr. Rich Pagel, OCC Vice President; and Mary Grady, Administrative Secretary, Board Office.

## 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 August 22, 2019

On a motion by Trustee Moreno, seconded by Trustee Hornbuckle, the Committee voted to approve the minutes of the Special Meeting of August 22, 2019.

Motion carried with the following vote:

Aye: Trustee Moreno and Trustee Hornbuckle

No: None

Absent: None

## **5. Review, Discuss, and Possible Action Regarding Actuarial Report**

Vice Chancellor of Finance and Administrative Services, Dr. Andy Dunn, provided a brief accounting of the Actuarial Report drafted this year, which identified total liability at \$103 million. This amount is a slight decline from the prior year at \$107 million.

The Actuary Study now takes into account the time it takes to earn post-employment benefits.

- Previously age 55 with 10 years of service
- As of January 1, 2018 age 60 with 15 years of service

## **6. Review, Discuss, and Possible Action Regarding Internal Audit Quarterly Update**

Ms. Rachel Snell, District Director of Internal Audit, provided an internal audit quarterly update.

The following projects have been completed:

- A New Hire Orientation Manual – copies were provided to the Committee
- Board Policies and Administrative Procedures Manuals - copies were previously provided to the Board of Trustees at the Board meeting November 6, 2019.
- The report from Golden West Criminal Justice Center has been completed and provided to the Committee

Projects in progress are:

- The OCC Planetarium
- The PCI Compliance Advisory
- AP 3600 Compliance.

## **7. Review, Discuss and Possible Action Regarding External Audit Report Update**

Dr. Dunn introduced Renee Graves, of Clifton Larson Allen. Ms. Graves presented in draft form the Final Audit for the year ending June 30, 2019 to be presented to the full Board of Trustees on November 20, 2019.

The Annual Report Requirement Letter was covered. The report wraps up the audit process and describes some of the qualitative aspects of the audit. The highlights include the following:

- An error noted in the vacation accrual process for this year and last year.
- Invoices not accrued as accounts payable at the end of the year amounting to \$3.7 million and a finding related to this item.

- Four observations were reported for this year, which was a significant improvement from last year.
- One comment is a recurring comment from last year, regarding an account balance and signers for bank accounts with cash balances. These accounts will be moved in 2020 to another bank, and the issues will be resolved.
- Last year, there were 17 employees with vacation accrual that exceeded the maximum carry over amount. This year 7 employees exceeded the carry over amount. There are 15 employees at the maximum amount.
- IT assigned access parameters for employee department transfers, and while new access rights were added, the previous department access rights were not deleted.
- The final comment was regarding financial aid. The Federal Government is to be notified within 10 days for specific employment changes, such as new Board members and executive changes. This includes some service providers. No penalties were accrued and all paperwork is now up to date.

The Audit Report: The audit foundation reports are finalized, and the reports are in process of completion.

The Opinion Letter: The opinion is a clean and unmodified opinion. Management's financial statements are fairly stated and calling all appropriate accounting principles.

Basic Financial Statements: The balance sheets are fairly consistent in terms of payables and receivables. Good management decisions have resulted in changes made to the OPEB plan and earnings from funds in an irrevocable trust have decreased liability by \$8 million.

Notes Sections, Changes:

- Note 6 Long-term debt direct borrowing is the note payable for the Hope building with Coastline College.
- Note 7 Is a new disclosure for the ground lease for the student housing project. It was determined that not including the asset and the debt is appropriate for this organization based upon accounting standards.
- Note 11 Post-Employment Healthcare Benefits Section. Revisions due to some changes made within the plan. Funding Policy: Some changes. OPEB Liability: Decreased \$4 million. Net position: Assets increased \$4 million.
- Note 18 Other new standards coming into effect next year and fiduciary activities. Reporting of fund categories (agency or government funds). The changes are for all community colleges, but not the foundations.

Required Supplementary Schedule of District Contributions – CALSTRS and CALPERS for the Fiscal Year Ended June 30, 2019 was discussed.

The Federal Government issued a new compliance supplement with a program related to financial aid for distance education. This requires students receiving funds to be actively involved in the process. A sample group of 25 students was selected to ensure they were actively involved in a classroom or online examinations and interaction in the classroom.

The summary of the report and findings: There was one finding related to Measure M. Dr. Dunn explained this was largely a product of the Banner transition and is a problem that will not reoccur. There are no other findings.

## **8. Update from HR on Temporary Employees**

Dr. Baeza gave a PowerPoint presentation for the Committee with a historical review of the work done in HR for temporary employee improvement efforts.

Short term employees cannot continue to work in the same position for more than one year.

Following is the breakdown of temporary employees as of last year, creating an exposure of approximately 2,400 employees district wide.

- 902 - less than one year with the district
- 744 - over two years
- 373 - over 3 years
- 234 - over 4 years
- 209 - 5 or more years

Another issue was discovered while working through the improvement efforts: PERS requires any temporary employee working over 24 hours on a regular basis consistently for over a year, to be paid retirement benefits. The PERS regulations require any employee with the district over one year to be considered part-time classified instead of temporary.

Work restrictions for temporary employees are now 19 hours or less per week. There are also less temporary positions available.

Student Assistant hiring opportunities are expanding. Each of the colleges is actively engaged in this process, and the program has been very successful at each college.

A Coast Community Services Coordinator was hired and is currently working to manage and oversee all of the temporary assignments while ensuring the district is in compliance. The temporary employment service is now centralized for all of the colleges with new policies in place.

## **9. Informational Update on 2019-20 Budget**

Dr. Dunn provided a brief informational update from the State Chancellor's Office and a look at some fiscal analysis matters. As reported previously, the state did

not identify sufficient funds to fully implement the Student Centered Funding Formula. The shortfall is \$103 million in the prior year and the most recent estimate is approximately \$140 million for the current year state wide. Our district deficit is not yet fully determined, and will be approximately \$5-6 million. The system office will provide a recalculation sometime between December 2019 and February 2020.

The trends shared previously including deficit spending, declining enrollment, etc. are persisting, driving up the risk score for Coast from 14% a year ago to 22%, which is still a low risk entity. This information is included for the Committee because a request for funds will be made this month from Coast for funding from the Housing Insecurity Pilot project, to help underwrite the rents the new housing development. The Housing Insecurity Pilot project is a \$9 million dollar item in the state budget.

Recently Ms. Daniela Thompson, Mr. Jerry Marchbank and Dr. Andrew Dunn appeared before both Standard and Poor's and Moody's bond rating agencies on behalf of Coast Colleges. The ratings from both agencies have held at AA+ with S & P and AA1 with Moody's.

#### **10. Future Meeting Date**

The next meeting of the Audit and Budget Committee is scheduled for Thursday, January 30, 2020 at 2:00 p.m. in the Board Conference Room.

#### **11. Future Agenda Items**

- (a) Brief overview of the Governor's January Budget Proposal for the 2020/21 fiscal year
- (b) Internal Audit Quarterly Update
- (c) Temporary employees' updates, if any

#### **12. Adjourn**

On a motion by Trustee Moreno, seconded by Trustee Hornbuckle, the Committee voted to adjourn the meeting at 3:31 p.m.

Motion carried with the following vote:

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



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Jane Burton  
Secretary of the Board

