
AUDIT AND BUDGET COMMITTEE MEETING MINUTES

Coast Community College District
Special Meeting of the Audit and Budget Committee
Date: December 5, 2012 at 8:30 a.m.
Board of Trustees' Conference Room
1370 Adams Avenue, Costa Mesa, CA 92626

1. **Call to Order** – Trustee Jim Moreno called the meeting to order at 8:40 a.m.

2. **Roll Call**

Trustees Present: Mr. Jim Moreno and Ms. Mary Hornbuckle
Trustees Absent: None

In Attendance – Chancellor, Dr. Andrew Jones; Vice Chancellor of Finance and Administrative Services, Mr. W. Andrew Dunn; Orange Coast College President, Dr. Dennis Harkins; Payroll Systems Supervisor, Ms. Daniela Thompson; Coastline College Director of Fiscal Services, Mr. Richard Kudlik; Vasquez & Company Auditor, Ms. Peggy McBride; Vasquez & Company Auditor, Ms. Cristy Canieda; Vice President of Administrative Services, Ms. Christine Nguyen; District Budget and Accounting Manager, Ms. Helen Rothgeb; Board Secretary, Ms. Julie Frazier-Mathews; Coast Federation of Classified Employees President, Ms. Ann Nicholson; Coast Federation of Educators Representative, Mr. Bob Fey, and Coast Federation of Educators President, Mr. Dean Mancina.

3. **Opportunity for Public Comment**

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

4. **Approval of Minutes**

It was moved by Trustee Hornbuckle and seconded by Trustee Moreno to approve the minutes of the Special Meeting of October 30, 2012.

Motion carried with the following vote:

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

5. **Acceptance of External Auditor's Report**

Ms. McBride and Ms. Canieda provided an extensive presentation of 2012 Audit Results to the members of the Audit and Budget Committee. The presentation reported on: levels of assurance, summary of audit results, District's financial statements, internal

controls and compliance with laws and regulations, single Federal Audit, Enterprise and Foundations, ASB's and other campus' operations, Bond Audit, financial trends and analysis, and SAS 114 Communication.

Ms. McBride informed the Committee that there were "no significant audit adjustments required due to the fact that the District's significant accounting policies are appropriate and that management has applied these policies consistently, with prior periods in all material respects." She also commended the District team for their knowledge and cooperation.

Ms. McBride shared that under ASB's and other campus operations, there was a management letter comment suggesting a review of investment/deposit policy. Trustee Moreno asked if Vasquez & Company had received the response they needed. Ms. McBride clarified that the management letter would not require a response. Trustee Moreno asked Mr. Dunn if there should be a plan to make the opinion operative. Mr. Dunn replied that he and Ms. Thompson meet with College Vice Presidents regularly and that this is something they could investigate at these meetings. Trustee Moreno clarified that the management letters are looking forward to what needs to be in place, rather than what is in place. Ms. McBride agreed to send a separate letter.

Trustee Hornbuckle asked to see the detailed information for the five audit findings and management letter found in the financial aid section of presentation on page 9. Ms. McBride directed the Committee to page 60 of the Financial Statement and Supplementation Information Report of the Independent Auditors. She shared that it was an issue of cash management and excess cash. Trustee Hornbuckle asked if this was an issue of Pell Grants and Ms. McBride responded that this was a Pell Grant provision. Ms. Canieda commented that these discrepancies would be corrected by the new system.

Ms. McBride shared that the second finding was based on the return of Title IV funds errors found at Orange Coast College. Orange Coast College responded that they would change their process to reduce the manual input errors detected by the auditors.

Ms. McBride directed the Committee to the third finding and explained that it was based on the timeliness of return of Title IV funds. She attributed the lag in time to the communication required between the District and Colleges.

Ms. McBride informed the Committee that the next finding related to the proper return of funds to the government for students who were no longer enrolled at the Colleges. There were errors at all three Colleges and in some instances there was also late reporting. The Colleges commented that the report would be sent every two weeks to ensure timeliness. Trustee Moreno asked how late is late. Trustee Hornbuckle read the following from the report, "reporting from graduates was done four months for the last day of Fall...which should be done in 60 days." The Colleges shared that errors and timeliness issues were largely due to staff shortages and turnover. Dr. Jones commented that most of these concerns could be addressed with the planned Financial Aid reorganization.

The next finding reported by Ms. McBride was on page 68 relating to discrepancies between the actual date of reimbursement and reported dates. Ms. Canieda commented that this was attributed to human error. Mr. Kudlik informed the Committee that there had been staffing shortages, and the College filled a vacancy with a temporary hourly employee who did not have a clear understanding of the job requirements.

Ms. McBride walked the Committee through the next finding on page 70 regarding appropriate tracking of work hours spent on Federal Programs. Mr. Kudlik responded that a new system had been implemented to allow employees to correctly track work hours spent on Federal Programs. Trustee Moreno asked if the Federal Agencies ever stop in to monitor this, without any warning. Ms. McBride answered that this is something that Federal agencies do regularly.

The next finding reported by Ms. McBride was based on analysis of cost sharing and late filing. Trustee Moreno asked how late is late. Ms. McBride answered that the report referenced was a month late. Mr. Kudlik shared that late filing was sometimes caused by dependence on outside agencies and their timeliness with providing information to the Colleges.

The last finding Ms. McBride reported on monitoring of files and compliance of Workforce Investment Act was found on page 73. According to Ms. McBride, there is a requirement that 10% of case load files be monitored for completeness and the District is falling shy of the 10%. Trustee Moreno asked by how much. Ms. Canieda agreed to find the answer before the Board meeting of December 5, 2012. Mr. Kudlik commented that this happened due to a significant number of vacancies, adding that there is a multistep process that makes it somewhat more delayed. Trustee Moreno asked if there is a particular person to streamline the process. Mr. Dunn answered that the County had an RFP that would be coming to a head the following year and that they were analyzing the cost of different programs. If the Board wanted to respond to the RFQ, it would be important to note the cost of the programs. Trustee Moreno asked why we can't tell them we need them to cover it. Mr. Dunn drew a distinction between the services; under the current construct it costs the District money to provide these services. Trustee Hornbuckle requested that the response to the RFP clearly state that it needs to be paid. Trustee Moreno commented that our District was selected because we do a good job. Dr. Jones commented that the Committee should talk about return investment and make a decision about how investment in the community offsets the cost to the District. Trustee Hornbuckle responded that this would be a different topic. She also asked if the District has a good working relationship with the Workforce Investment Group and asked that we bring them into the conversation on cost and quality.

Ms. McBride also discussed the status of the previous year's findings. She noted there were some similar issues, corrected to a certain extent, such as the late return of the Title IV issues and the calculation of the Title IV funds. Ms. McBride projected that the District would see a correction once the new system is in place. Trustee Hornbuckle asked if these two findings could rise to a high level of significance. Ms. McBride answered that the issue was not systemic, with the majority of findings being due to staffing shortages and manual mistakes, which would be corrected with the new system.

The Committee then returned to presentation page 15: Financial Trends and Analysis. Mr. Dunn commented that the cost of benefits keeps rising despite Voluntary Separation Programs. Trustee Moreno commented, "Looking at the One Stop we are going above and beyond to make programs work that we haven't accounted for; if we have to make adjustments it's only fair."

Ms. McBride shared the required communication with the members of the Audit and Budget Committee. There were no significant proposed audit adjustments. Trustee Moreno asked when the report would be submitted to the State. Ms. McBride answered that the report would be submitted once accepted by the members of the Audit and Budget Committee. Mr. Dunn added that the report must be submitted by December 31, 2013.

It was moved by Trustee Hornbuckle and seconded by Trustee Moreno to accept the report provided by the External Auditor.

Motion carried with the following vote:

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

6. Review and Acceptance of Management Response

It was moved by Trustee Hornbuckle and seconded by Trustee Moreno to accept the response provided by Management.

Motion carried with the following vote:

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

7. Transmittal of Audit Report to the Full Board

It was moved by Trustee Moreno and seconded by Trustee Hornbuckle to forward this report as completed and accepted by the Audit and Budget Committee for the full Board's consideration.

Motion carried with the following vote:

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

8. Discussion of Fifty Percent Law and F.O.N. Law

Mr. Dunn walked the members of the Audit and Budget Committee through a presentation on the Fifty Percent Law and the F.O.N. Law. Topics presented were: AB 1725, 75/25, Coast Full-time Faculty trend data, Fifty Percent Law, Coast 50% Law Calculation and Coast Fifty Percent Law trend.

Mr. Mancina asked to see the report, and cautioned that the District may not be in compliance. Trustee Moreno asked when the Board could see the report. Mr. Dunn answered that it would be provided as soon as it was ready.

Trustee Hornbuckle asked how Librarians and Counselors calculated for the 75.5 %. According to Mr. Dunn, they are included as full time and are on the non-instructional side of the Fifty Percent law. Trustee Hornbuckle asked if there was any legislation to change the Fifty Percent Law. Mr. Dunn answered that it had been attempted but was not successful.

Trustee Moreno commented that the history of the Fifty Percent Law was very interesting. Mr. Dunn agreed that the statutes have not changed to reflect information technology changes.

9. Set Future Meeting Dates

The next meeting of the Audit and Budget Committee was scheduled for February 12, 2013 at 9:00 a.m. Ms. Frazier-Mathews shared that she and Mr. Dunn were working on a Master calendar with preset meeting dates and times.

Mr. Kudlik asked if they could move the contract to the Board in January or February. Mr. Dunn answered that this had been previously resolved and the question was whether the Board wanted to re-solicit. Trustee Hornbuckle was pleased that this had come together in a timely fashion. Trustee Moreno shared that he was very pleased with the work of Vasquez & Company.

10. Adjournment

There being no further business, it was moved by Trustee Hornbuckle and seconded by Trustee Moreno that the meeting be adjourned.

Motion carried with the following vote:

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

Chair Moreno adjourned the meeting 9:34 a.m.

Secretary of the Board of Trustees