

## AUDIT & FINANCE COMMITTEE MEETING MINUTES APRIL 7, 1997

### Present

*Robert Grimm, Judith Moss, Kent Peterson, Dolores Sandoval*

### Absent

*none*

### Others

*Leo Chavez, Will Coursey, Bernadine Fong, Ron Galatolo, Jim Keller, Jon O'Bergh*

### 1. APPROVAL OF MINUTES

The minutes of March 3, 1997 were approved.

### 2. STATUS REPORT ON 1994-95 AND 1995-96 AUDIT FINDINGS

Will Coursey distributed a status report confirming that responses had been received for each of the current and prior year findings. Members of the Audit & Finance Committee expressed their preference to see the actual responses (which, it was agreed, will be sent to the Committee later in the week) as part of the status report in the future, rather than wait to see the chancellor's summary response. At the next meeting, the chancellor's summary response will be presented, showing for each finding that it is either "implemented" or "non implemented" with a reason why not. Bob Grimm emphasized that each year's findings should be addressed before the following year's audit commences—that is, a decision should be made for each finding, and the Board should either give its approval or direct management to change its decision.

### 3. A. ROLE OF AUDIT & FINANCE COMMITTEE

The Committee reviewed Board Policy #9131 regarding the role of the Audit & Finance Committee, specifically the following statements:

*...and the membership shall be two Board members and at least two members of the community at large...* Staff reaffirmed the importance of outside representation on the Audit & Finance Committee. The consensus of the Committee was that two community members is sufficient.

*...advisory role to the Board in carrying out its...legislative responsibilities...* The consensus was that the Audit & Finance Committee could provide valuable input on certain legislative issues which have a significant financial impact on the district, but the chancellor should selectively choose which of these issues to bring forward. The Committee's role is not to act as the district's legislative advocate. Leo Chavez then briefed the Committee on several looming issues: welfare reform, mandated part-time faculty office hours, student fee structure, and future economic outlook. Bob Grimm suggested that the district devise contingency plans for unfavorable as well as overly favorable economic changes.

*Review budget and financial material...* Judy Moss asked what such material should be reviewed for. Jim Keller explained that consistency between audits, budgets and financial

reports is of paramount importance, since inconsistencies that were not noticed played a major role in the 1991 financial crisis.

*Meet with the Board of Trustees each year at the time of presentation of the external audit to the Board.* The statement was left unchanged, with the understanding that it does not require the entire Audit & Finance Committee to meet with the Board but leaves the option to go to the Board for any Committee member who feels an issue needs to be raised.

*Review and consult with the Chancellor with regard to...internal auditor's performance evaluation.* Chavez explained that the internal auditor holds a unique position that reports both to the chancellor and Board, and to preserve the position's independence it is important that the Board has some oversight for job performance evaluation. It was decided that Coursey and Chavez need to clarify the role of the internal auditor and present a conceptual framework to the Audit & Finance Committee. The relevancy of the Committee's role in job performance evaluation will be discussed further at that time.

**B. OPERATIONAL AUDITS**

On the one hand, management feels that when it asks for an operational audit in order to improve operations, the Committee does not need to be involved. On the other hand, Dolly Sandoval wants the Committee to see such audits precisely because no action was taken to resolve significant issues raised in a previous operational audit. At issue is how to ensure that issues are not left unresolved. Chavez and Coursey were asked to write a clear statement of purpose for operational audits that addresses this concern and bring it to the next meeting.

**4. PROCESS AND PROCEDURE FOR SELECTING AUDIT FIRM**

This item was postponed to the next meeting, for which Coursey will provide a timeline and information on what to include in a Request for Proposal.

**5. FINANCIAL & BUDGET UPDATE**

Jim Keller advised that the 3rd Quarter Report, typically, will not have much substantive news when it is presented.

**6. NEXT MEETING DATE**

The next meeting was set for Monday, June 9 at 4:00 p.m.

***CALENDAR OF PENDING ITEMS***

Chancellor's Response to Current and Prior Year Audit Findings.....	June 9, 1997
Role of the Audit & Finance Committee—Continued Discussion.....	June 9, 1997
Role of the Internal Auditor ( <i>Chavez/Coursey</i> ).....	June 9, 1997
Operational Audits Statement of Purpose ( <i>Chavez/Coursey</i> ).....	June 9, 1997
Process and Procedure for Selecting Audit Firm ( <i>Coursey</i> ).....	June 9, 1997