

AUDIT & FINANCE COMMITTEE MEETING MINUTES NOVEMBER 18, 2002

Present

Robert Grimm, Mary Mason, Judy Moss, Kent Peterson, Delia Ybarra

Absent

Pat Millar,

Others

John Assunto, Mike Brandy, Leo Chavez, Will Coursey, Jane Enright, Bernadine Fong, Rich Hansen, Alan Harvey, Deryl Jones, Jim Ladd, Jon O'Bergh, Romeo Paule, Tom Perry-Smith, Hector Quinonez, John Schulze, Marisa Spatafore, Tonnette Torres, Claudette Weber

1. PUBLIC HEARING

Judy Moss requested that the internal auditor review the quarterly reports of "Warrants Greater Than \$10,000" before those reports come to the Board.

2. APPROVAL OF MINUTES

No changes were made to the minutes of August 26, 2002.

3. 2001-02 AUDIT REPORT

Tom Perry-Smith reviewed the draft audit report. He mentioned the new reporting standards, noting that the most significant change is that all capital assets are now tracked and depreciation reported as part of the financial statements. There was only one significant audit adjustment involving a fair market valuation of investments that was released from the county after the district's 2001-02 books were closed. There were no exceptions on state compliance issues, no unusual difficulties in reviewing the district's records, and only one minor federal compliance issue.

Perry-Smith reviewed findings and recommendations, noting that there were no material weaknesses. Regarding the bookstores, the findings suggest ways to strengthen internal controls. The Committee agreed that the opportunity for the external audit firm as well as the internal auditor to raise concerns with the Committee directly without staff present would be automatically built into future meetings when the audit is presented.

Judy Moss asked about the preliminary mid-year review of Measure E interest income and arbitrage liability that the district was going to ask Perry-Smith & Company to perform, as recorded in the June 3, 2002 minutes. Tom Perry-Smith explained that the district had decided not to request that review.

4. SELECTION OF DISTRICT’S EXTERNAL AUDITOR

Will Coursey explained that there will be a Request for Proposal process in 2004, one year prior to the end of the current contract with Perry-Smith & Company, so the Board can choose either to renew that contract or employ a new audit firm. Responding to a question from the Committee, Tom Perry-Smith explained that, for publicly-traded companies, audit firms are required every eight years to rotate partners who oversee the company’s audit, but there is no requirement to change firms. Community colleges are not subject to any limitations. He noted that Perry-Smith & Company partners review one another’s audits as a matter of course to ensure that there are no improprieties.

5. MEASURE E PROJECTS REPORT

John Schulze reviewed the revised overhead projections that result in about \$12.7 million to distribute for other projects. The accounting department will determine the overhead rate on an annual basis. Responding to a question from the Committee, he explained that estimates for staff time spent on Measure E have been established and range from 25-100%. Bob Grimm commended staff on efforts to project overhead costs.

Claudette Weber presented the Measure E report. Asked why the loop road sealing project was \$22,000 over budget, John Assunto responded that the project was actually completed under budget, but projected costs for doing additional re-sealing at the end of Measure E have been incorporated into the project total. Rich Hansen asked whether showing a mixture of fund sources was the best method for the public to track Measure E expenditures. The community members of the Committee spoke in support of this method.

6. FIRST QUARTER FINANCIAL REPORT

Mike Brandy gave a report on district finances, noting that an ongoing operating deficit of \$5 million was covered this year by the 2001-02 ending balance. Judy Moss requested for the next quarterly report an estimate of the cost to replace the administrative computer systems.

7. UPDATE ON SEARCH FOR VICE CHANCELLOR OF BUSINESS SERVICES

Alan Harvey gave an update on the search process. He expects interviews to be completed by early December, with finalists forwarded to the selection committee and the chancellor shortly thereafter.

8. NEXT MEETING

The next meeting was scheduled for Monday, January 27, 2003 at 4:00 p.m.

CALENDAR OF PENDING ITEMS

Measure E Projects Report (*Weber*) January 27, 2003