

AUDIT & FINANCE COMMITTEE MEETING MINUTES NOVEMBER 15, 2004

Present

Robert Grimm, Sandy Hay, Kent Peterson, Hal Plotkin, Delia Ybarra

Absent

Pat Millar

Others

Mike Brandy, Jane Enright, Alan Harvey, Jeanine Hawk, Martha Kanter, Jim Klingensmith, Faith Milonas, Jon O'Bergh, Tom Perry-Smith, Hector Quinonez, John Schulze, Bernata Slater, Arnold Teten, Tonette Torres

1. PUBLIC HEARING

There were no members of the public who wished to address the Committee on items not on the agenda.

2. APPROVAL OF MINUTES OF SEPTEMBER 13, 2004

It was M/S/C (Grimm/Ybarra) to approve the minutes of the September 13, 2004 meeting.

3. MEASURE E PROJECT REPORT

John Schulze and Jim Klingensmith provided an update on Measure E. Schulze noted that construction bids statewide are coming in at 15% or more over budget. He reported that the District won three architectural excellence awards from the Facilities Coalition, and Foothill won an award from a state architectural group for the Campus Center design. At De Anza, the parking garage project is expected to finish under budget, and the Kirsch Center project is a bit behind schedule but the within budget. The Community Services project is starting to fall behind schedule and appears likely to go about \$300,000 over budget. The Science Center is about \$1.6 million over budget due to several circumstances that include a general conditions claim, a contractor claim, an errors and omission claim by the District, and incorrect installation of fume hoods. The District is attempting to deal with the contractors on each separate issue in order to reach informal resolutions. Sandy Hay asked about the nature of the problem with the fume hoods, and Schulze explained that the architectural drawings were not as clear as they could have been, so the designer accepts some portion of the blame, but the contractor also misinterpreted the drawings and the work was approved by the engineer. The District's position is that the mistakes are in no part the college's responsibility, but it is a complicated set of issues.

Arnold Teten and Alan Harvey discussed projects at Foothill, noting that bids on the Campus Center are at least \$3 million over budget. The college is waiting to see how bids come in for the Lower Campus Project, which is an ever larger project, before deciding how to proceed. The college's intent is to keep the designs intact rather than dilute them with changes. Staff will

seek ways to save costs by postponing other projects, postponing elements such as landscaping that do not affect programmatic elements, increasing the campus center use fee, and increasing fundraising efforts. Hay expressed his support for this strategy. In response to a question from Hal Plotkin, Harvey noted that going out to bid again would not improve the bid results.

Bob Grimm distributed a Measure E Progress Report, pointing out that less than half of all bids have been completed, so the issue of high bids on upcoming projects will likely need to be confronted soon.

4. DRAFT AUDIT REPORT FOR YEAR ENDING 6/30/04

Hector Quinonez and Tom Perry-Smith presented the draft audit, emphasizing that there were no audit adjustments, no significant or unusual transactions, and no difficulties encountered in performing the audit. Perry-Smith noted that the Foundation is now included in the audit. He reported that there were no major state compliance deviations and no material weaknesses related to federal compliance. He reported that most of the findings and recommendations from the prior year have been implemented, although there are some ongoing issues related to DASB. He stated that the District is on the cutting edge among community colleges in addressing accounting issues, and complimented the District's tremendously qualified accounting staff. He also assured the Committee that he would immediately notify members if he ever encountered a significant problem during the audit process.

5. DRAFT REQUEST FOR PROPOSAL FOR OPERATIONAL REVIEW SERVICES

Quinonez reported that \$40,000 had been reserved from the budget for the independent auditor position to cover the cost of operational review services annually, and clarified that the amount will cover one or two projects annually. Responding to a question from Hay, Mike Brandy clarified that the most common approach in other districts is to use outside firms or handle operational reviews through in-house accounting staff, and independent auditor positions are becoming more and more rare. Grimm asked how the contract would be handled, and Brandy responded that the contract would be based on a fixed price, not an hourly rate, which he will clarify in the final RFP. Grimm also asked about contract terms, and Brandy stated that contracts will be on a year-to-year basis, renewable up to five years.

Perry-Smith clarified that there would be no conflict of interest under generally accepted accounting standards for his firm to conduct both the audit and operational reviews if selected. Grimm questioned whether the issue of conflict of interest in terms of both business and personal relationships should be addressed in the RFP. Plotkin agreed with Grimm's comments and also proposed that the Committee be involved in evaluating RFP responses. Brandy suggested that staff can screen and recommend the top three responses to the Committee; he will revise the RFP based on the Committee's comments.

6. FIRST QUARTER FINANCIAL REPORT

Brandy reviewed the First Quarter Financial Report, noting that the state increased the deficit factor, resulting in \$900,000 less revenue for the District this year. He also reported on the enrollment decrease, the apparent causes and budget ramifications, as well as efforts to regain enrollment in the remaining quarters.

7. NEXT MEETING

The next meeting was scheduled for February 7, 2005 at 3:30 p.m. Committee members were also encouraged to attend the December 6 Board meeting for the presentation and approval of the final Audit Report.

CALENDAR OF PENDING ITEMS

Measure E Progress Report (Schulze)..... Feb. 7, 2005

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Approved 2/7/05