

# AUDIT & FINANCE COMMITTEE MEETING MINUTES NOVEMBER 6, 2006

## Present

*Robert Grimm, Kent Peterson, Hal Plotkin, Bruce Swenson, Delia Ybarra*

## Absent

*Pat Millar*

## Others

*Mike Brandy, Claudette Brero-Gow, Tom Brewer, Jane Enright, Jeanine Hawk, Jeff Jensen, Martha Kanter, Jim Klingensmith, Jon O'Bergh, Hector Quinonez, Bernata Slater, Tonette Torres, Tina Treis*

## **1. PUBLIC HEARING**

There were no individuals who wished to address items not on the agenda.

## **2. APPROVAL OF MINUTES**

It was M/S/C (Swenson/Peterson) to approve the minutes of the August 28, 2006 meeting.

Brandy requested that Items 4 and 5 be advanced on the agenda. Plotkin asked Committee members if they were agreeable to the request, and hearing their consent, he advanced Items 4 and 5.

## **4. ANNUAL AUDIT REPORT**

Tina Treis and Jeff Jensen of Perry-Smith & Company reviewed the draft audit of the year ending June 30, 2006. They pointed out two non-significant findings under state compliance, one regarding a new compliance requiring self-assessment for non-credit courses, and a second one regarding the 50% law. There were no findings regarding federal compliance. They reviewed other findings, which included internal controls for DASB, the Bookstore, Flint Center, the Foundation and Child Development Center; and the need for an actuarial valuation of workers compensation claims. Brandy said the District would begin performing an annual actuarial study. Treis and Jensen also reviewed findings from the prior year and reported that the District had implemented all recommendations. Brandy highlighted that no audit adjustment was needed to reconcile the audited financial statements with the report to the state. Responding to a question from Grimm, Brandy said that the unfunded retiree medical benefits liability will show up on the District's balance sheet starting in 2007-08.

## **5. PRO-CARD ACTIVITY OPERATIONAL AUDIT**

Tom Brewer of VTD reviewed the operational audit report, explaining that the purpose of the audit was to determine whether the use of pro-cards complies with procedures established by the District. He said he was satisfied with the controls that were in place but suggested ways to

strengthen procedures. Ybarra commented that the trigger for auditing individual card usage seems too high, and Brandy explained that such expenses as repair parts or conference hotel and registration fees can sometimes exceed \$1,000. He added that purchases are supposed to be monitored, and the District is working to strengthen how that is implemented. Brandy described the proposed changes to the procedures, which include making managers responsible for maintaining records demonstrating they have reviewed each employee's monthly pro-card summary; requiring employees annually to renew their cards and review procedures; and a quarterly summary of audited pro-card expenses to be provided to the Audit & Finance Committee.

Grimm asked if the operational audit examined whether the cost of providing pro-card service was reasonable. Brewer said that it was not part of the audit, but in his experience such arrangements are cost-effective. Quinonez added that the District pays no fee for the service. Grimm suggested that the District consider other possible benefits from the service such as the accumulation of airline mileage credit.

### **3. MEASURE E CONSTRUCTION PROJECTS UPDATE**

Brero-Gow distributed a revised report for Foothill that reflected a change to the figure on known exposure for the Lower Campus project. Klingensmith reviewed the report and provided an update on projects. He pointed out that a mediated resolution has been reached pending Board approval for issues affecting the De Anza Science Center, with the exception of the HVAC retrofit. He noted that one-day facilitated sessions are planned to help address ongoing issues affecting the Lower Campus and Campus Center projects at Foothill.

Responding to a question from Grimm, Brero-Gow clarified that unallocated interest income, which is not included in the established contingency amounts, provides an additional layer of contingency. Grimm distributed a progress report showing that over 50% of projects have been completed and the overall contingency funds are in good shape, taking into consideration the unallocated interest income. Brero-Gow noted that the District Building project represents a significant portion of uncompleted projects but is delayed by the uncertain disposition of the Griffin House.

### **6. REVISED BOARD POLICY 3153**

Swenson asked how the next vice chancellor of business services will know to issue a request for proposal as specific in the policy, and Brandy explained that this would occur when the contract for external auditing services expires. Kanter also noted that it would be incorporated into a master calendar. The Committee endorsed the proposed revisions to the policy.

### **7. FIRST QUARTER REPORT**

Brandy presented the First Quarter Report, noting that enrollment looks good. He pointed out that the campus center use fee is being reinstated this year at both campuses and Certificates of Participation are being issued.

**8. NEXT MEETING DATE**

Plotkin pointed out the special joint meeting with the Benefits Committee scheduled for November 15, and Brandy distributed a letter from the actuarial firm which had been engaged to study a proposal to reinstate lifetime medical benefits for all retirees.

Kanter reported that the Measure C Validation Lawsuit was scheduled for trial on November 20 and 21, and that a ruling was expected by mid-December. Brandy added that he is working with the bond underwriters to determine when the District might be able to go to market with the first bond issuance.

Kanter announced that Brandy would be retiring in April 2007. Open forums for finalists who are candidates to fill the position will be held in mid-February. She suggested that a member of the Audit & Finance Committee may wish to sit in on the final interviews.

The next regular meeting was scheduled for February 5 at 3:30 p.m.

***CALENDAR OF PENDING ITEMS***

Measure E Progress Report (Schulze).....	February 5, 2006
Pro- Discussion of How to Use New Revenue Streams.....	TBA
Revised Board Policy 9123, Audit & Finance Committee.....	TBA
Small and Local Business Procurement .....	TBA

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Approved 2/5/07