

AUDIT & FINANCE COMMITTEE MEETING MINUTES NOVEMBER 15, 1999

Present

Robert Grimm, Sandy Hay, Mary Mason, Pat Millar, Kent Peterson, Delia Ybarra

Absent

none

Others

Kathy Blackwood, Mike Brandy, Leo Chavez, Will Coursey, Bernadine Fong, Roy Grothe, Martha Kanter, Jim Keller, Jon O'Bergh, Tom Perry-Smith, Angel Sierra

1. WELCOME TO NEW MEMBERS MILLAR AND YBARRA

Pat Millar and Delia Ybarra were introduced and welcomed to the Committee.

2. APPROVAL OF MINUTES

The minutes of the August 30, 1999 meeting were approved as drafted.

3. 1998-99 AUDIT FINDINGS & RECOMMENDATIONS

The draft audit report was distributed. According to auditor Tom Perry-Smith, the audit process went well and resulted in only one minor adjustment. He pointed out a new Y2K readiness disclosure statement that was required this year; Leo Chavez added that more information on Y2K compliance will be reported to the Board.

There was a discussion about the lack of a fixed asset inventory, an audit exception appearing in both reports on compliance with federal and state audit standards. Jim Keller told of a recent experience where, in response to a federal audit, the district successfully was able to go through records and reconstruct assets for a discontinued program. Will Coursey stated that he believed the statute of limitations for responsibility for assets to be 7 years after a program ends. Perry-Smith confirmed that lack of a fixed asset inventory is widespread in community college districts and K-12 districts alike. In discussing progress on prior year findings, it was noted that all have been implemented except the one regarding a fixed asset inventory. Committee members asked a number of questions about the issue. Keller concluded by saying that the district has begun to examine the feasibility of instituting a fixed asset inventory system limited to categorical programs.

The current year findings generally involve internal controls issues in areas such as cash receipts, according to Perry-Smith. Kent Peterson asked about communication back and forth between auditors and staff and was reassured that good communication has been taking place. Bob Grimm complimented staff on a clean audit. Lastly, Perry-Smith alerted the Committee about a significant new auditing standard on the horizon affecting

the look of financial reports, "GASB 34," that will be a challenge for entities such as Foothill-De Anza to implement.

4. CONTRACT FOR AUDIT SERVICES

It was pointed out that there is no legal requirement to change audit firms. Perry-Smith clarified that the audit of bond revenues will be part of the regular audit process. Committee members were asked to let Board members know of any concerns with the proposed contract with Perry-Smith & Company. Barring any such concerns, the chancellor will sign the contract.

5. REPORT ON BOND MEASURE

Leo Chavez explained that the district made a commitment to the public for an oversight committee to ensure that the bond revenue is used appropriately. He proposed that the Audit & Finance Committee accept responsibility to provide this external oversight and ensure consistency with legal requirements about how the bonds can be used. The Board will be looking at a process for prioritizing the projects that includes logistical and strategic considerations. A decision is expected by the end of January. The idea of a "Measure E Construction and Implementation" division of business services was discussed as a way to easily isolate and track bond expenses and revenue.

6. FIRST QUARTER FINANCIAL REPORT

Keller summarized the First Quarter Financial Report. He noted that enrollment, productivity, salary improvements and health costs are all up over projections. Due to higher than expected enrollment last year and difficulty in hiring faculty, the district will be assessed a penalty of around \$700,000 for falling below the minimum ratio of full-time to part-time instructors. The high cost of living seems to be a factor for local districts in trying to attract candidates for teaching positions. Keller also cautioned that fairly significant budget problems are looming for 2000-01.

7. NEXT MEETING

It was agreed to cancel the December 6 meeting. A date prior to March will need to be scheduled.

CALENDAR OF PENDING ITEMS

Coordinated Business Plan for College Bookstores..... 1999

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Approved 6/6/00