



**Foothill-De Anza  
Community College District**

12345 El Monte Road, Los Altos Hills, CA 94022 650-949-6200

**AUDIT AND FINANCE COMMITTEE MEETING  
DRAFT MINUTES**

JUNE 2, 2011

**PRESENT:** Betsy Bechtel (chairperson), Joan Barram, Marge Bruno, Joel Spolin, Jim Sandstrom

**OTHERS:** Charles Allen, Letha Jeanpierre, Donna Jones-Dulin, Kevin McElroy, Margaret Michaelis, Judy Miner, Hector Quinonez, Bernata Slater, Linda Thor, Tonette Torres, Shirley Treanor

**CALL TO ORDER**

Betsy Bechtel called the meeting to order at 3pm.

**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**

Approve the minutes of the March 3, 2011 minutes. M/S/C (Bruno/Sandstrom).

**Consent Calendar**

**3. Measure E Projects Report**

**4. Measure C Projects Report**

**5. CERBT OPEB Transfer**

**Items 3 through 5 were accepted as submitted M/S/C (Barram/Spolin).**

Item 4 was pulled for discussion, specifically the FAPPS and Flint Center Parking Garage. Charles Allen explained that the Flint Center garage project problem was identified early, and explained the process of moving projects from one column to another entails solving problematic needs in different ways. The Flint Center garage project should be moving from "red" to "yellow"

## **Committee Business**

### **6. Audit Process Overview**

At the March 3, 2011 meeting, the Audit and Finance Committee selected Vavrinek, Day, Trine & Co., as their choice to be forwarded onto the Board of Trustees for selection as the outside auditor for Foothill-De Anza. Kirsten Moore with Vavrinek, Trine, Day & Co. (VTD) was introduced by Kevin McElroy to explain the audit process and ask questions from the committee.

Kirsten Moore stated that a team of auditors is currently engaged on site. Moore explained that the first part of the process begins with learning the internal controls of the district and becoming familiar with district processes. A calendar of events for 2011 was handed out and outlined the year through March 2012, culminating with a presentation to the Audit and Finance Committee about the prior year's findings.

Kirsten Moore went on to explain certain changes in auditing processes. In previous years, TBA classes were suggested by the state to be audited. This year, they are required to be audited.

### **7. Performance Audits – Management's Response**

#### *a. District Procurement Card Performance Audit*

Kevin McElroy discussed the key points included in the audit of the procurement card system. From the last audit in 2006, many practices and procedures were not implemented. Since the revamping of the procard system in early 2011, many changes have taken place in the procard procedures, however some deficiencies still exist. Kevin McElroy explained the integration of the Banner Portal system with the procard program and how it would lend to a greater control over the program, and the ability to run a variety of reports will greatly improve the program. Betsy Bechtel expressed concern over the huge amount of risk associated with a credit card program and wanted to know why actual transactions were not being scrutinized, instead of the overall charges. Kevin McElroy stated that he expects procedures to be fully in place by July 1, 2011, pending the update of information from 2006 onward.

Jim Sandstrom questioned the amount of money and time the procard program saves, especially if 12% of all purchases are a result of procard purchases. Sandstrom suggested a cost savings analysis to be sure the procard program was worthwhile.

#### *b. Foothill College Cashiering Services/Petty Cash*

Report was postponed until September 2011 meeting.

#### *c. Foothill College PE Facilities Rental/Cash Handling*

Report was postponed until September 2011 meeting.

### **8. Measure C, Issuance C GO Bond Sale Update**

Kevin McElroy discussed the selling of 184 million dollars in Bonds on Thursday, May 19 2011. He explained that closing documents were being processed and scheduled for delivery on June 9, 2011. Bill Euphrat, financial advisor for FHDA, explained the handling of the Bonds. Betsy Bechtel asked if it was standard practice to have an independent counsel assist with Bond sales, and Kevin McElroy stated that it was, and that they act as a negotiator with a discounted rate.

### **9. 3<sup>rd</sup> Quarter End Report**

Bernata Slater and Kevin McElroy explained the highlights of the 3<sup>rd</sup> Quarter report, specifically that the net variance, commonly referred to as the stability fund, went up slightly to \$13.8 million dollars. Joel Spolin had some questions about the purpose and history of the stability fund, which was explained by Kevin McElroy as a savings account of sorts that acts to carry over and cover costs, instead of potential cuts.

Bernata Slater explained that campuses are moving forward with restoring funds, while Judy Miner explained how the changes in Banner with TBA hours affected certain outcomes and resulted in a lower FTES as expected.

There was a discussion about international students and the expense for recruitment was begun and Bernata Slater explained that the expenses over revenue for international programs is 90 million for revenue and 18 million for expenses, so it is a worthwhile program to continue.

#### **10. Update on 2011-12 Budget**

Kevin McElroy explained the impact that the May revise from the state had on the district, specifically the ambiguity that still exists with how big of a cut from the state of California FHDA will have to deal with. The worst case scenario of \$30 million for FHDA still exists, but it is looking more likely that a \$400 million dollar cut from the state will be coming, which would reduce the amount to FHDA.

Bernata Slater spoke to the workload reduction of 3.39% from a few years ago, that had an indirect impact of \$5.6 million in lost revenue. For students, it could amount to serving 4,400 fewer Full Time Equivalent Students (FTES) and possibly 1,100 fewer sections.

Kevin McElroy stated that the Board of Trustees wanted to keep \$3 million in the stability fund for 2012-13, meaning that the entire stability fund cannot be used to cover holes in the 2011-12 budget. However, it is still likely that cuts won't need to be made until July 2012, instead of January 2012.

Jim Sandstrom had questioned how bad 2012-13 would be, and Shirley Treanor explained that part time faculty would most likely be the hardest hit, but this would also impact full time faculty.

Before the meeting adjourned, Marge Bruno stated that she would not be present at September meeting.

**The next meeting to be held at 3pm on September 8, 2011.**