

AUDIT & FINANCE COMMITTEE MEETING MINUTES AUGUST 27, 2007

Present

Betsy Bechtel, Robert Grimm, Kent Peterson, Bruce Swenson

Absent

Pat Millar, Delia Ybarra

Others

Shawna Aced, Charles Allen, Tom Brewer, Steve Carleton, Cindy Castillo, Andy Dunn, Lee Epstein, Jeanine Hawk, Jeff Jenson, Martha Kanter, Jon O'Bergh, Hector Quinonez, Ben Rodriguez, Bernata Slater, Tom Perry-Smith, Chris Stoddard, 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

It was M/S/C (Peterson/Grimm) to approve the minutes of the June 4, 2007 with one typographical correction.

3. RETIREE HEALTH BENEFITS JOINT POWERS AGENCY – PORTFOLIO REVIEW

Quinonez reviewed how last year the Audit & Finance Committee recommended investment in the balanced fund (50% equities, 50% fixed) and liquidity portfolios. He explained that additional portfolios are now available. Lee Epstein of Invest by Design noted that half of the colleges have invested in the balanced portfolio and half in the enhanced portfolio. Quinonez was asked to provide information at the next meeting regarding the “draw-down” along with his investment recommendation so the Committee can make an informed decision. Grimm also requested information regarding to what extent portfolios are correlated to one another, pointing out that non-correlated investments are desirable. The results of the new actuarial study will be provided as well.

4. STATUS OF 2006-07 OPERATIONAL REVIEWS

Tom Brewer of VTD presented the operational review of cash handling at Foothill's Admissions & Records Office. He noted that no exceptions were found and all prior-year recommendation from the annual audit have been implemented except for those which staff determined are not cost effective or are still being evaluated. One of these issues is access to the safe. The Committee expressed concern about this matter. Aced described the current procedure for accessing the safe. Quinonez will clarify at the next meeting how many people have access.

Quinonez reported that the operational review of Measure C overhead still needs to be performed; he will present the report at the next meeting.

5. SUGGESTED OPERATIONAL REVIEWS FOR 2007-08

Dunn identified several preliminary areas of interest: security and the information systems; facilities rentals and leases; associated student body accounts; credit card accounts; and further inquiry into cash handling throughout the District. Bechtel emphasized the importance of adequate insurance coverage and no tolerance for fraud. Dunn will recommend operational reviews for 2008 at the next meeting. Quinonez noted that VTD will be engaged to conduct the 2008 operational reviews.

6. PRELIMINARY AUDIT FINDINGS FOR FISCAL YEAR 2006-07

Tom Perry-Smith and Jeff Jenson of Perry-Smith & Company reviewed the status of the audit. Perry-Smith reaffirmed that, if a significant deficiency were discovered, his firm would notify the Board and Audit & Finance Committee immediately. Jenson reviewed the findings and recommendations that have been identified to date. Several minor findings include the Bookstore return logs not being consistently reviewed at the supervisory level, Food Services cash handling, bank reconciliations not being completed in a timely manner while an employee is on leave, and ASFC receipts for club fundraisers not being submitted to the Student Accounts Office. There have not been any state or federal compliance exceptions. The Audit Report will be presented at the next meeting.

Grimm asked about the District's capital assets inventory, especially for computers. At the next meeting, a report will be given on how this is tracked and what procedures are in place. Bechtel asked how fraudulent activity is detected. Perry-Smith responded that fraud which is monetarily insignificant is often discovered by means other than audits, but large-scale fraud is generally discovered in the course of an audit. Hawk explained how outside sources are used to count inventory at the De Anza Bookstore to reduce the risk of fraud. She was uncertain if Foothill uses the same procedure, but she will share the information with Romeo Paule.

7. FINANCIAL AID STUDENT LOANS

Castillo discussed news reports about the improper relationships between lenders and financial aid directors at some universities. She reviewed the policy at Foothill and De Anza, which is to provide only a lender list to students with no recommendations. Any lender who requests inclusion is added to the list. Bechtel requested that the same list be used for both colleges if it is not already.

8. SECURITY – USE OF CAMERAS

Levine discussed the use of security cameras on campus and the goal of having a consistent policy across the district. Currently a mix of systems is used that do not all allow both recording and live monitoring. Levine plans to set up all cameras to record to the Campus Safety department utilizing one server at each campus. Levine said he would like to be able to place cameras in all parking lots but there is not sufficient funding. Responding to a question from Swenson, he said the new system should be in place at both campuses in about one year.

Bechtel asked about the cameras used in the Child Development Center, and Hawk responded that they are used to address parents' concerns.

9. MEASURE E CONSTRUCTION PROJECTS UPDATE

Allen reviewed the Measure E report. He noted that a claim is likely from the contractor and/or designer for the Foothill Lower Campus Complex and Campus Center projects, but he still anticipates that contingency will be adequate to cover this. Miner added that \$800,000 in one-time funds are also being held aside as a precaution, and Allen pointed out that there is a Districtwide contingency as well. He noted that the District is pursuing claims for the De Anza Science Center.

10. MEASURE C CONSTRUCTION PROJECTS UPDATE

The Committee discussed the format for the report and requests were made to include 1) the \$40 million earmarked for a possible new site, 2) equipment costs, and 3) whether the District is on schedule for the spending plan. Grimm expressed concern that the Measure C lawsuit was preventing funds from being spent fast enough to avoid arbitrage.

11. 2007-08 BUDGET

Dunn distributed a "Comparison of Carryover 05/06 and 06/07" sheet and reviewed the state budget as signed by the governor. He reviewed the budget but pointed out that salary and benefits settlements with the bargaining groups have yet to be negotiated.

12. BOARD POLICY REVISIONS

It was M/S/C (Bechtel/Peterson) to endorse the proposed changes to Board Policy 3000, "Principles of Sound Fiscal Management." Board Policy 3213 was presented for the Committee's information. Due to lack of time, discussion of Board Policy 9123, "Audit & Finance Committee," was postponed to the next meeting, but Peterson pointed out the need to change "internal audit reports" to "operational reviews."

13. NEXT MEETING

The next meeting was scheduled for November 5, 2007 at 3:00 p.m.

CALENDAR OF PENDING ITEMS

Audit Report of Fiscal Year 2006-07	November 5, 2007
Operational Reviews: FH Cash Handling, Measure C Overhead (Quinonez) ...	November 5, 2007
Operational Reviews for 2008 (Dunn)	November 5, 2007
Measure E Progress Report (Allen)	November 5, 2007
Measure C Progress Report (Allen)	November 5, 2007
Inventorying and Tracking Capital Assets	November 5, 2007
Portfolio Investment for Retiree Health Benefits JPA (Quinonez)	November 5, 2007
Revised Board Policy 9123, Audit & Finance Committee.....	November 5, 2007
Audit & Finance Committee Meeting Schedule	November 5, 2007
Financial Self-Assessment Tool for State Chancellor's Office	February 2008
Thirty-Year Projection for Funding Retiree Medical Benefits Liability.....	Winter 2008
Discussion of How to Use New Revenue Streams	TBA
Small and Local Business Procurement	TBA

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Approved 11/5/07