AUDIT AND BUDGET COMMITTEE AGENDA

Coast Community College District
Audit and Budget Committee Special Meeting
Tuesday, November 14, 2023 at 3:00 p.m.

Board Office Conference Room

1. **Call to Order**

2. **Roll Call**

3. **Opportunity for Public Comment**

   Members of the public have the opportunity to address the Audit and Budget Committee on any item that has been described in this notice. Persons wishing to make comments will be recognized at this point in the meeting. Individuals will have up to five minutes per agenda item, and there is a 20-minutes total limit per item. These time limitations may be extended by the Committee.

   It is the intention of the Coast Community College District to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the Coast Community College District will attempt to accommodate you in every reasonable manner. Please contact the Secretary of the Board to inform us of your particular needs so that appropriate accommodations may be made.

4. **Approval of Minutes: Meeting of September 12, 2023** (Attachment #1)

5. **Internal Audit Quarterly Report** (Attachment #2)

6. **External Audit Progress Report** (Attachment #3)

7. **FY24 Budget Update**

8. **Future Agenda Items**

9. **Next Meeting Date**

10. **Adjournment**

AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District
Audit and Budget Committee
September 12, 2023
Board Office Conference Room

1. Call to Order

The meeting was called to order at 1:30 p.m.

2. Roll Call

Trustees Present:　Trustee Mary Hornbuckle
Trustees Absent:　Trustee Jim Moreno

In Attendance
Whitney Yamamura, Chancellor
Marlene Drinkwine, Vice Chancellor of Finance and Administrative Services
Rick Hicks, Acting Vice President of Instruction
Paul Wisner, Director of Business Services
Derek Bui, Director of Business Services
Janet Houlihan, Vice President of Special Assignment
Maira De La Torre, Internal Audit Specialist
Rachel Snell, Director of Internal Audit
Andrea Serban, Vice Chancellor of Educational Services and Technology
Erik Frost Hollins, Director of Public Affairs, Marketing and Foundation

3. Opportunity for Public Comment

There were no requests to address the Audit and Budget Committee.

4. Approval of Minutes: Meetings of June 6 and August 22, 2023

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the meetings of June 6 and August 22, 2023.

Motion carried with the following vote:

Aye:　　　Trustee Hornbuckle and Trustee Moreno
No:　　　None
Absent:　　None

5. Staff Recommendation for External Auditor Selection

Vice Chancellor Drinkwine provided a presentation highlighting the following aspects of the request for qualifications and proposals process for the selection of an external auditor: timeline and distribution of materials, responsive firms, district selection committee composition, ratings criteria, interview summary, and recommendation.

Eide Bailly received the highest interview scores and received the selection committee's recommendation based on the following:

Depth and Breadth of Experience
- Extensive experience with California community colleges, foundations, and for-profit operations
- Depth of specialization within the firm allowing for consultation on unique/complex issues
- Broad experience for all aspects of operations including bonds, financial aid, federal and state grants and tax returns

Regional and State-wide Expertise
- Serves all other three Orange County CCDs
- Serves 29 CCDs statewide
- Active member of NACUBO (National Association of College and University Business Officers), AGA (Association of Government Accountants), GFOA (Government Finance Officers Association), WACUBO (Western Association of College and University Business Officers), ACBO (Association of Chief Business Officials), AICPA (American Institute of Certified Public Accountants.

Client Satisfaction
- North Orange CCD recently rehired again after issuance of RFQ/P
- Positive references

Appropriate Dedicated Hours and Pricing
- Competitive pricing within the industry
- Total number of dedicated hours reflective of complex needs

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to accept the Chancellor's recommendation to select Eide Bailly LLP as the District's external auditor and to forward the recommendation to the Board of Trustees for approval.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

11. Adjournment

The meeting was adjourned at 2:04 p.m.

_____

Secretary of the Board
Julie Clevenger

Audit and Budget Committee Meeting: 11/14/23

Projects—Completed

- **GWC Review of Budget Cycle**: Review of the GWC budget cycle and the involvement of various committees and stakeholder groups. (See attached memo report).
- **Procurement Card Review**: Districtwide review of P-Card assignments, limits, and reconciliations. (See attached memo report).
- **Swap Meet Self-Reported Follow Up**: Update on the implementation status of OCC Swap Meet recommendations. (See attached report).

Other Projects—In Progress

- OCC Audit of Radiologic Technology operations: Starting Fieldwork
- OCC Audit of Recovery Kitchen operations: Starting Fieldwork
- Districtwide Foundation Operations Review: Planning
- CCC Gift Cards
- External Audit Liaison: Ongoing
- Record Management—Internal Audit files Ongoing

Other Services

- Retirement Board, Vice Chair
- DCC—BP/AP Subcommittee (Advisory)
- ALGA Mentor

MEMORANDUM

Date: October 20, 2023

To: Dr. Whitney Yamamura, Chancellor
Meredith Randall, GWC Acting President
Rick Hicks, Acting Vice President of Administrative Services

From: Rachel Snell, MPA, Internal Audit Director (CIA, CFE, CRMA, CICA)

Re: GWC Budget Process Review

At the request of Acting President Randall, Internal Audit reviewed the Golden West College (GWC) budget process. This review included an analysis of the budget process from start to finish, roles and responsibilities of various stakeholders, committees, staff, and communication structures in place to increase budget transparency. This review was performed to determine whether the GWC budget process met the needs of the college in terms of timeliness and transparency in decision-making.

Background Information

GWC created a Planning and Budget Committee with representation from the various stakeholder groups. Somewhat recently, GWC split the committee into two distinct committees to review and prioritize campus priorities before assigning funding. Currently, GWC continues to operate under the two-committee structure: Planning Council and Budget Council. Several representatives serve on both committees.

According to the GWC website, Planning Council sets short-term and long-term priorities for the college, reviews data and reports for alignment with Strategic Plans, and develops and implements resource allocation strategies. There are 12 members, 10 of whom are appointed, and two co-chairs (14 total). Members serve either one-year or two-year terms. Budget Council reviews all funding requests and develops and implements funding strategies that align with the college's short-term and long-term goals. There are 11 members, seven of whom are appointed, with two co-chairs (13 total). Members serve either one-year or two-year terms. One member serves a two-year term, but membership on the committee is based upon the person's position.

To initiate budget development, GWC uses Banner Self-Service's "Budget Development" module. This module provides managers access to various worksheets containing the most current budget information. These worksheets serve as the initial starting point from which they can enter any additional information.

Results

Planning Council is co-chaired by the Vice Presidents of Instruction and Student Services, and members represent the various stakeholder groups on campus. Faculty hold four seats, managers hold four seats, classified employees hold two seats, and students hold two seats. Out of the 12 total seats on Planning Council, there is no representation from Administrative Services. In addition, there is no representation from the Business Office. While each department may submit a program review, it is unknown to what extent GWC considers the Administrative Services units in its short-term and long-term planning.

Budget Council is co-chaired by the Vice President of Administrative Services and a faculty representative. Faculty and managers each hold four seats. Membership also includes two classified employees and one student. Although some members of Budget Council also serve on Planning Council, the Planning Council would often experience delays in getting budget information, since they needed to wait for information from the Budget Council.

To address this concern, GWC holds multiple joint meetings with members of both committees present. In this structure, the Administrative Services team has an opportunity to discuss its needs with the Planning Council, and the members of the Planning Council get access to budget information timelier to help consider campus priorities more efficiently. In addition, GWC has a governance review process that evaluates committees and their respective structures for efficiency and effectiveness. The Planning and Budget Councils are subject to this review.
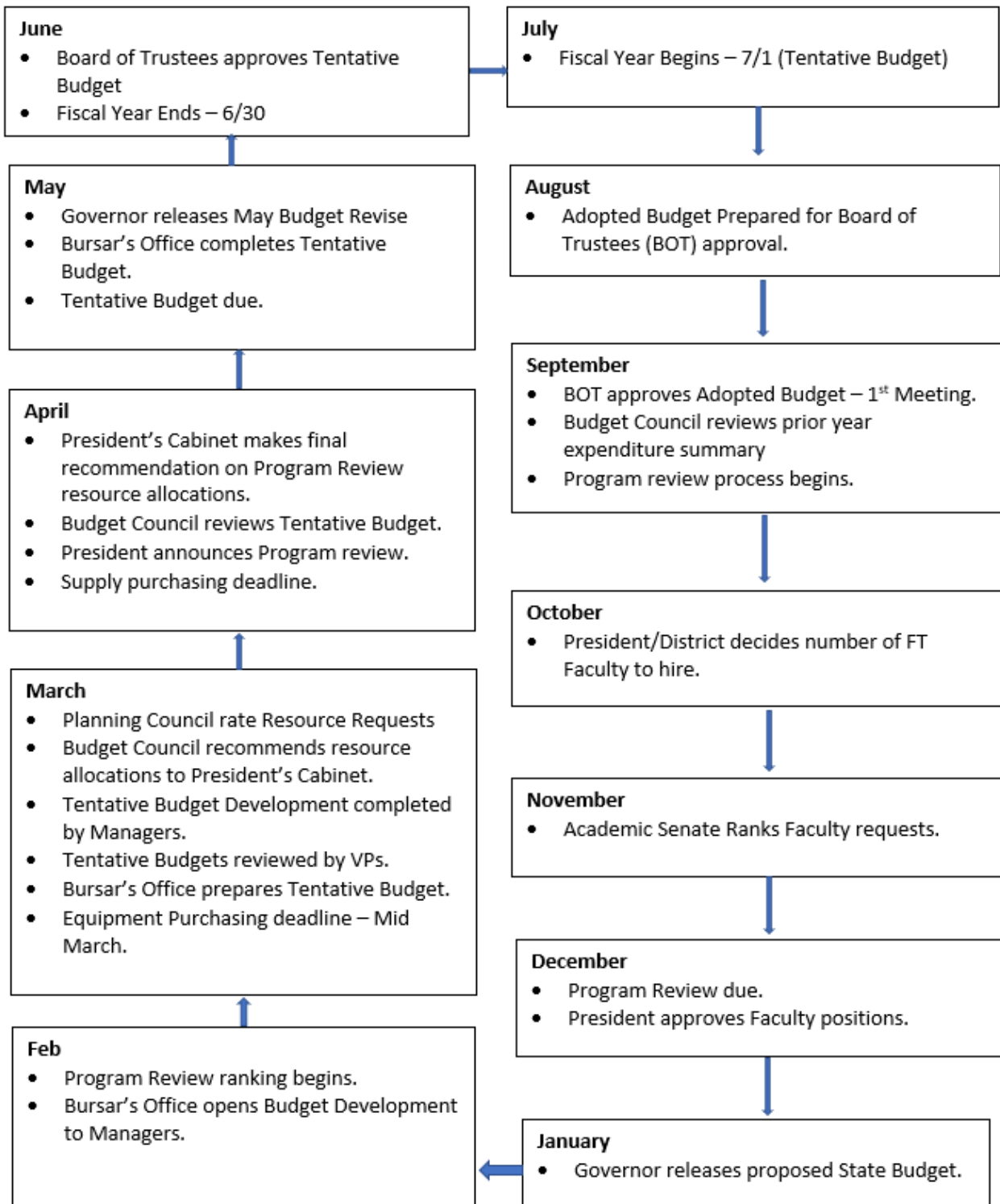
During the review, Internal Audit identified a Budget Process Flow Chart that was either incomplete or incorrect as of Spring 2023. To address this concern, Business Office staff worked closely with GWC leadership to create an updated Budget Process Flow Chart that more accurately communicates the budget process and committee structure currently implemented. (See GWC Budget Process Flow Chart, page 3). This flow chart is now readily available to share with any of the campus stakeholders and to post on the GWC website. This effort will increase transparency in the budget process overall.

To facilitate communication between the Planning and Budget Councils, committee members use a Microsoft Teams folder that holds agendas, minutes, notes, and other documents. Meeting agendas and minutes are posted on the GWC website. However, the last Planning Council update was in March 2023, and the last Budget Council update was May 2023. Given recent concerns raised from various GWC stakeholders specific to transparency in the budget process, failure to post information timely on the website necessarily limits transparency and reduces the college's ability to communicate committee outputs. GWC college leadership agreed to reinstate the posting of this information on its website.

Recommendations

1. GWC should continue to support the shared governance review process for its campus committees.
2. GWC should ensure the Planning and Budget Council Committee websites are updated timely with accurate information and communicate their existence to the various stakeholder groups.

GWC Annual Budget Review and Development Process

June
- Board of Trustees approves Tentative Budget
- Fiscal Year Ends – 6/30

July
- Fiscal Year Begins – 7/1 (Tentative Budget)

May
- Governor releases May Budget Revise
- Bursar's Office completes Tentative Budget.
- Tentative Budget due.

August
- Adopted Budget Prepared for Board of Trustees (BOT) approval.

April
- President's Cabinet makes final recommendation on Program Review resource allocations.
- Budget Council reviews Tentative Budget.
- President announces Program review.
- Supply purchasing deadline.

September
- BOT approves Adopted Budget – 1st Meeting.
- Budget Council reviews prior year expenditure summary
- Program review process begins.

March
- Planning Council rate Resource Requests
- Budget Council recommends resource allocations to President's Cabinet.
- Tentative Budget Development completed by Managers.
- Tentative Budgets reviewed by VPs.
- Bursar's Office prepares Tentative Budget.
- Equipment Purchasing deadline – Mid March.

October
- President/District decides number of FT Faculty to hire.

November
- Academic Senate Ranks Faculty requests.

Feb
- Program Review ranking begins.
- Bursar's Office opens Budget Development to Managers.

December
- Program Review due.
- President approves Faculty positions.

January
- Governor releases proposed State Budget.

MEMORANDUM

Date: October 5, 2023

To: Dr. Whitney Yamamura, Chancellor
Marlene Drinkwine, Vice Chancellor Finance and Administration Services

From: Rachel Snell, Internal Audit Director, MPA (CIA, CFE, CRMA, CICA)

Re: Procurement Card (P-Card) Review

During a fraud, waste, and abuse investigation on an unrelated project, Internal Audit learned that P-Card holders at Golden West College (GWC) did not always submit receipts for purchases in a timely manner. Business Services wanted to revoke P-Card privileges for the staff in question, as per practice, but this request was denied. Inevitably, the P-Card holders resigned their employment without submitting receipts. GWC was unable to reconcile the credit card statements or demonstrate that the purchases were allowable, preventing the ability to protect against fraud, waste, or abuse. Internal Audit also learned that some District Office P-Card holders did not submit receipts timely, creating similar concerns as were present at GWC. However, the staff in question agreed to submit receipts timely to avoid revocation of their P-Cards.

Internal Audit met with the District's Executive team and reviewed the P-Card policies, procedures, and practices, as well as the importance of assisting the fiscal offices in enforcing these policies and practices. Internal Audit also added the P-Card Review project to the Fiscal Year 2023-2024 Annual Strategic Audit Plan.

Background Information

The purpose of the P-Card was to allow for more efficient purchasing and payment for certain types of low dollar purchases, conferences, and travel expenses. When the District implemented the P-Card program, it created a User Guide describing the appropriate uses for the P-Card. The User Guide also includes an approval form that employees use to not only obtain a P-Card, but also to make changes to credit limits. Employees must sign an acknowledgement form stating that they agree to abide by the policies and procedures of the P-Card program or risk revocation of P-Card privileges.

Oversight of the P-Cards is performed by the District Controller and the college Fiscal Directors. The Controller and fiscal Directors work together to create the policies and procedures surrounding the use of the P-Cards, and staff reconciles P-Card purchases. The college Fiscal Directors manage P-Cards at the campus level, and the Controller manages P-Cards at the District Office.

Board Policy (BP) and Administrative Procedure (AP) 6330 Purchasing was last updated in November of 2018, and it generally details the need to obtain bids, requisitions, and to make purchases in accordance with laws and regulations. Purchases must be made within State allowable limits and/or obtain approval for certain purchases from the Board of Trustees (Board). BP/AP 6330 also requires Internal Audit to review the District's purchasing practices on an annual basis.

Results

The P-Card User Guide states that any permanent employee who passed the probationary period is eligible to receive a P-Card, with approval from the Director and the Vice President. However, it was reported that only managers, not classified staff, are eligible to receive a P-Card. Therefore, what is implemented in practice is not consistent with what is stated in the User Guide. (Note: The Classified Staff who have a P-Card make purchases on behalf of the District as part of their essential job function). In addition, BP/AP 6330 does not reference this User Guide as part of the purchasing practices for the District or reference P-Cards as an allowable mechanism for making purchases.

The P-Card User Guide also provides a list of uses that are strictly prohibited, but this list is not always enforced. For example, some cardholders used the P-Card to pay for memberships and gratuities. Memberships were related to the cardholder's position/department, and gratuities were related to travel. Overall, this restriction may be inconsistent with other BPs and APs that allow for these purchases when approved by an authorized manager or administrator. Furthermore, the User Guide states that charges resulting from misuse or abuse will be deducted from an employee's paycheck, which legally requires the employee's consent. An employee could consult with their Vice President and "resolve" the charges, but the meaning of "resolve" is unclear since employees, regardless of level of position, cannot dismiss a debt against the District.

Lastly, each site approves P-Cards in a manner they deem appropriate for the site. (See Appendix A, page 4). For example, person's holding similar positions may not have a P-Card or have the same credit limit. The User Guide does not offer any guidance on demonstrating need for a P-Card or requiring a person to demonstrate need for a higher limit versus a lower one.

Recommendations

1. The District's fiscal directors should review BP/AP 6330 and the P-Card User Guide and make revisions that address the findings noted in this memo report.

Cc   Dr. Angelica Suarez, OCC President
       Meredith Randall, Acting GWC President
       Dr. Vince Rodriguez, CCC President
       Dr. Rich Pagel, OCC Vice President Administrative Services
       Rick Hicks, Acting GWC Vice President Administrative Services
       Christine Nguyen, CCC Vice President Administrative Services
       Daniela Thompson, Executive Director District Fiscal Services

Attachment A: P-Card Holders and Credit Card Limits
** Indicates credit limit is inconsistent with like position elsewhere in the District.

District Office	Card Limit
Vice Chancellor 1	$10,000.00
Vice Chancellor 2	$10,000.00
Vice Chancellor 3	$15,000.00
Executive Director	$5,000.00
Executive Director	$25,000.00
Director 1	$5,000.00
Director 2**	$10,000.00
Director 3	$25,000.00
Director 4	$5,000.00
Director 5**	$10,000.00
Buyer	$25,000.00
Buyer	$25,000.00

Golden West College	Card Limit
President	$10,000.00
Director 1	$5,000.00
Director 2	$5,000.00
Director 3	$5,000.00
Director 4	$5,000.00
Director 5	$5,000.00
Director 6	$5,000.00
Dean**	$100.00

Coastline College	Card Limit
President	$10,000.00
Vice President 1	$10,000.00
Vice President 2	$10,000.00
Vice President 3**	$25,000.00
Director 1	$10,000.00
Director 2**	$15,000.00
Director 3	$15,000.00
Director 4	$5,000.00
Director 5**	$10,000.00
Dean**	$10,000.00
Dean**	$10,000.00

Orange Coast College	Card Limit
President	$10,000.00
Director 1	$10,000.00
Director 2	$10,000.00

IMPLEMENTATION STATUS GUIDELINES

OCC Swap Meet management used the following Status of Strategies and Current Status to complete its self-assessment of the implementation status of recommendations associated with prior audit work:

Status of Strategies: Describe the strategy or strategies that will be used to implement the recommendation. Provide the current status and a written description of what was done to implement the recommendation. If the recommendation is not fully implemented, please provide a rationale as to why, the current status, a date when it will be implemented, and the name of the party responsible for implementation.

Current Status: Designate whether the current status of the recommendation is

Fully Implemented: Successful development & use of a process, system, or policy to implement a prior recommendation.

Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.

Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation.

<u>Background</u>

Internal Audit performed a fraud investigation at the OCC Swap Meet and issued a report in July 2015. Internal Audit performed a full Follow-Up audit to this investigation and issued a report in December 2016. In this report, many of the recommendations were either implemented or substantially implemented, and only a few were still incomplete or ongoing. As such, OCC Swap Meet management asked for additional time to implement the remaining recommendations. In April 2020, Internal Audit requested OCC Swap Meet management to complete a self-reported status update relating to the outstanding recommendations. The report noted that OCC Swap Meet management implemented additional recommendations; however, the recommendations related to ethics and ethical practices remained incomplete.

Internal Audit performed another review of the status of recommendations to ensure continued progress towards enhancing internal controls at the OCC Swap Meet. The scope of this report included only the recommendations noted as incomplete/ongoing. This self-reported status of recommendations was completed in October 2023, and conclusions are noted below.

<u>Conclusion</u>

Although it has taken the OCC Swap Meet seven years to complete the implementation of recommendations, it should be noted that the delays associated with the recent implementation was due to the COVID-19 pandemic. Given the uncertainty as to when the Swap Meet could reopen and what operational changes would need to be made, management waited to finalize its completion of implementing the remaining recommendations. As of October 2023, OCC management reports that all Swap Meet recommendations were implemented.

Rec #	Recommendation	Management Response	Status of Strategies/Current Status
01	Enterprise Management should improve the control environment and risk identification process to increase assurance that ethical expectations are communicated to subordinates and operational risks are identified and mitigated. This includes but is not limited to: c. Conducting an ethics survey that includes vendors, Enterprise employees, and departments that have a role in Swap Meet operations; d. Reporting the results of the ethics survey to and obtaining approval of the Ethics policy from the Enterprise Board; f. Training staff in and enforcing the District's Whistleblower policy.	Overall, we concur with the recommendation and request Human Resources to assist in providing ethics training to Swap Meet vendors, management, and staff. We will develop an ethics policy and ensure all employees, including new hires upon employment, and vendors acknowledge the ethics policy upon space rental. Lastly, we will attempt to incorporate an ethics survey as part of the training, analyze results, and take appropriate action as necessary. We intend to review Swap Meet procedures and make any changes deemed necessary to address the concerns identified. In this process we will evaluate the potential for periodic risk assessments and continuous improvement either by partnering with the District's Internal Auditor or by contracting with the External Auditor.	As of December 2016, recommendations a, b, e, and g were implemented. Recommendations c, d, f incomplete/ongoing. As of April 2020, recommendations c, d, f were not implemented. As of October 2023: Recommendation (c) Swap Meet Satisfaction Survey was concluded. Swap Meet crew, Bursars staff, Director of College and Community Services and VP of Administrative Services took part of the results meeting. Recommendation (d,) On February 2023, The Ethics Survey and the Conflict-of-Interest Board policy were reviewed and endorsed by Enterprise Board of Directors. Recommendation (f) Weekly Operations meetings are conducted where the procedures to the whistleblower policy is discussed frequently. The policy is also detailed in the New Vendor manual and Employee handbooks.
02	1.1: OCC Swap Meet should partner with District Human Resources to implement an ethical survey to both staff and vendors, and deliver formal training on reporting issues and concerns, including the Whistleblower policy. 1.2: OCC Swap Meet should continue its efforts in creating, implementing, and enforcing its strength policies and procedures,	We concur with the finding and recommendation. Management will continue its efforts to partner with District Human Resources to survey stakeholders on the ethical climate and ensure staff is trained in the District's Whistleblower policy. Enterprise management will request from the Enterprise Board that it adopt the District's Ethics Policy as its own and continue to reinforce ongoing ethics awareness to vendors and staff, management will continue	As noted above, the Swap Meet completed the ethics survey. As of October 2023: 1.1:The Ethical Survey has been discussed and studied during the Swap Meet operations meetings. The Ethics and whistleblower policies are discussed in our yearly Vendor meetings. 1.2: A Swap Meet operations committee has been created to review and enforce all Enterprise

Rec #	Recommendation	Management Response	Status of Strategies/Current Status
	and continue to assess the various risks associated with Swap Meet operations.	to reinforce compliance with the policies and procedures in the updated vendor and employee manuals. We believe this will improve the ethical environment at the Swap Meet and strengthen the culture. Management continually assesses risk and updates procedures as new issues arise. Once we believe that most of the issues have been addressed, management will continue to periodically review its operational practices to ensure continued success in improving the ethics and culture of the Swap Meet.	contact bylaws and policies. This weekly meeting includes vendor discipline and Bursars issues with vendors.

Coast Community College District
Audit Results for the year ended
June 30, 2023

November 15, 2023

Auditor's Responsibilities, Planned Scope, and Audit Timeline

- Express an opinion on the financial statements, federal and state compliance
- Risk of material misstatement
- Internal control evaluation
- Risk based audit approach

Phase One – April 2023

Phase Two – August September 2023

Reporting / Completion – October 2023 - November 2023

New Accounting Standards

- **Governmental Accounting Standards Board (GASB) Standard No. 96 –** *Subscription-Based Information Technology Arrangements*.

  - *GASB Standard No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. Based on the implementation of GASB Statement No. 96, on July 1, 2022 the District recognized a right to use subscription asset and related subscription liability totaling $18,709,028. There was no change in the District's net position as a result of the implementation.*

Corrected and Uncorrected Misstatements

- <u>Corrected Misstatements</u>:
  - No corrected misstatements

- <u>Uncorrected Misstatements</u>:
  - There was one uncorrected misstatement related to the present value effect on the District's long-term notes receivable balance. The District's position related to the recognition of the present value is consistent with prior periods.

Other Required Communications

- There were no difficulties encountered with management

- There were no disagreements with management

- No consultation with other accountants

- No significant or adverse events require your attention in connection with the completion of the audit

Audit Results

Type of Opinion	Results / Questioned Cost
Financial Statements	Unmodified
Federal Compliance	Unmodified
State Compliance	Unmodified

Financial Highlights

- **Government-Wide Summary**

  - Total assets of the District at June 30, 2023: $ 1.44 billion

  - Total net position of the District at June 30, 2023: $ 36.0 million

    o Net Pension Liability at June 30, 2023: $ 243.5 million

    o Net OPEB Liability at June 30, 2023: $ 14.7 million

- Total change in net position for the year ended June 30, 2023: $ 72.5 million

- **General Fund Summary**

  - Fund Balance at June 30, 2023: $ 59.3 million

  - Total change in Fund Balance: $ 14.4 million

Conclusion

- The District's financial statements are presented fairly in all material respects

- No audit adjustments

- No audit findings

- Management and staff at the District office and other departments were prepared for our audit and responded timely to our requests