

**San Jacinto College District
Finance Committee Meeting Minutes
August 28, 2018**

Members Present: Keith Sinor, Dr. Ruede Wheeler, and Larry Wilson,
Marie Flickinger (left shortly after the meeting started)

Members Absent: None

Other Trustees Present: None

Others Present: Brenda Hellyer, Teri Zamora, Linda Torres, and Rosselle Helms

- I. The meeting was called to order at 5:10 p.m. by Dr. Ruede Wheeler, Chair, Finance Committee. Roll call of the Committee members was taken:
 - Marie Flickinger, present (left shortly after the meeting started).
 - Keith Sinor, present.
 - Dr. Ruede Wheeler, present.
 - Larry Wilson, present.

- II. Approval of Minutes from the May 22, 2018, Finance Committee Meeting
 - Dr. Wheeler presented the minutes from the May 22, 2018, Finance Committee Meeting. A motion was made by Mr. Sinor, and seconded by Mr. Wilson to accept the minutes as presented.

- III. Review and Discuss Internal Audit Audits:
 - Linda Torres, Director of Internal Audit, updated the Committee regarding four audit reports.
 1. Contract Compliance Audit
 - L. Torres reviewed the executive summary of the Contract Compliance audit report, which included a review of internal audit controls surrounding contract administration and the testing of 20 active and recently completed contracts as of October 20, 2016 to determine compliance with contract terms. The following observations with their Corrective Action Plan (CAP) were noted:
 - i. Observation: Lack of Formal Administrative and Monitoring Process
 - CAP - Contract database completed by the Purchasing department, through the use of the new Ionwave contract software. The software will capture contract terms, corresponding insurance dates, and anticipated spending.
 - ii. Observation: Lack of Consistent, Adequate Oversight Surrounding Contract Performance College-Wide and No Comprehensive, Integrated Set of Policies, Procedures, or Internal Controls for Managing Contract Administration
 - CAP Phase I – This phase has an estimated completion date of November 2018 and includes the following items:
 - Development of a matrix that determines when a contract should be issued
 - Creation of a reference document of commonly utilized contract provisions to decide which clauses are applicable to different types of contracts
 - Updates to language in Purchasing Procedure 2-13 to clarify the

- budget authority's responsibility to review, approve, and sign invoices
 - Developing guidelines for which contracts will be logged into the contract database
 - K. Sinor asked how a contract is managed.
 - L. Torres explained this is managed at the owner level. For example, the Maintenance Department oversees maintenance contracts.
 - K. Sinor asked how the College is maintaining the integrity of the issued contract, so there is no favoritism.
 - T. Zamora responded that the procurement of a contract goes through the approval process through the Purchasing department. However, once the contract is in place, each department approves their own invoices and some are not reviewing the original contract to ensure billing is correct.
 - Training has started in the Maintenance and Facilities Department and will be implemented college-wide to develop structure that helps ensure the prices being charged are the contracted amounts.
 - CAP Phase II – Policy V-C will be updated to provide clarity with regard to delegation for contract signatory authority; addressing both short-term and long-term delegation. Estimated completion date for this phase is June 2019.
 - B. Hellyer added that there is inconsistency throughout the district regarding the approving authorities. Sometimes it's an administrative assistant rather than the budget authority approving an invoice.
 - K. Sinor asked if the audit looked at past bills that had been received.
 - L. Torres confirmed this and directed the committee to the audit report which outlined contract discrepancies, some leading to refunds from vendors.
 - B. Hellyer advised that T. Zamora is working within her departments to facilitate the proposed policy changes and the next step will have this go to the Strategic Leadership Team (SLT), then to the Strategic Leadership Communication Council (SLCC) to embrace responsibility from leadership. This area will probably be on the audit list again by Summer 2019.
 - L. Wilson asked if the Barnes & Noble contract had maintained the provision for student book scholarships.
 - L. Torres advised that it had, despite delays in processing scholarships due to Barnes & Noble expecting students' names. Moving forward the funds will be made available to Auxiliary Services and allocated to students from there.
- 2. Fixed Assets Audit
 - L. Torres reviewed the executive summary of the Fixed Assets audit report, which included a detailed evaluation of the operational efficiency and internal controls surrounding fixed assets owned by the College. The audit concluded that internal controls surrounding fixed assets require improvements in order to ensure adequate oversight of fixed assets. The following observations with their Corrective Action Plan (CAP) were noted:
 - i. Observation: Fixed Asset Register Completeness
 - CAP - The office of Budget Control will work with key personnel in other areas to ensure the fixed asset registry is updated on an ongoing basis to reflect all assets, regardless of their funding source, whether construction,

- donations, or other methods of acquisition.
 - L. Torres relayed that some items were missing from the registry.
 - T. Zamora added that due to the registry being updated annually in the past, some items would be missing from the registry because of timing. Moving forward monthly updates will occur to avoid that issue.
 - ii. Observation: Unverified Fixed Assets
 - CAP - All assets have been assigned to an employee as custodian. The SLT has already been informed of the asset custodians that have not returned their annual confirmations for 2018.
 - R. Wheeler asked who keeps up with all of this.
 - T. Zamora responded that there is a Fixed Asset Department within the Budget Control Office. There are ongoing changes to procedures to ensure efficiency, but there is also a culture change that is taking place through training and campus leadership like the SLCC.
 - iii. Observation: Fixed Asset Register Data Consistency
 - CAP - Data surrounding peripherals, attachments, descriptions, locations, custodians, serial numbers, etc. will be entered for all assets added during 2018. As time permits, records from previous years will be updated.
 - iv. Observation: Physical Inventory of Assets
 - CAP - The Asset Custodian Confirmation process will now be required to be completed annually, with support from the SLT to ensure that all confirmations are received timely.
 - In many instances, some owners didn't know they were the custodian of a given asset.
 - v. Observation: Asset Transfers
 - CAP - The 2018 Asset Custodian Confirmation process will be used to confirm acceptance by all asset custodians. Moving forward, a transfer form will be required on all transfers.
 - Examples were given like a golf cart transferred to another department without paperwork.
 - vi. Observation: College Procedures
 - CAP - The office of Budget Control will work with administration to evaluate the policy and outline official college-wide procedures associated with asset donations, transfers, and disposals.
 - vii. Observation: Segregation of Duties
 - CAP - The Director, Budgets and Fixed Asset Coordinator will work together to ensure removals are reconciled and that documentation is maintained in the office of Budget Control.
 - viii. Observation: Banner Access
 - CAP - Banner access to fixed asset forms will be reviewed and access assigned only to those employees who require such functions as part of their normal duties.
3. Campus Police Audit
- L. Torres reviewed the executive summary of the Campus Police audit report, which included a detailed evaluation of the operational efficiency, internal controls, and compliance with internal and external regulations and policies surrounding Campus Police between September 1, 2016 and January 31, 2018. In general, findings revealed that internal controls surrounding the Police Department were sufficient; however, instances were noted where improvements could be made to strengthen existing controls and procedures. The following observations with their Corrective Action Plan (CAP) were noted:

- i. Observation: Documented Procedures
 - o CAP - The Police Department concurs with Internal Audit's recommendation to update documented procedures to adequately reflect key departmental operations.
 - o L. Torres gave examples of lacking procedures like tracking lost and found, web time entry, etc.
 - ii. Observation: Personnel Administration
 - o CAP - The issue surrounding missing exit checklists will be resolved. A timely manner may mean up to two weeks. The department concurs with Internal Audit's recommendation surrounding Web Time Entry and will ensure that manual time adjustments will be kept to a minimum.
 - iii. Observation: Evidence Audit
 - o CAP - The Police Department concurs with Internal Audit's recommendation and will ensure that evidence audits will be performed annually.
 - o L. Torres shared that the evidence locker should have an annual review but the audit revealed that the department hadn't executed one since 2014.
 - o T. Zamora added that Police Chief advised this task was completed March 2018. Furthermore, it should be an external audit by another police department acting as independent agents. The local police departments coordinate this effort and perform this task for each other. In this case, it was a La Porte Police Officer.
 - iv. Observation: Safe Access
 - o CAP - The Police Department concurs with Internal Audit's recommendation and will ensure that the armory safe is locked at all times and opened only as needed.
 - o L. Torres advised that the safe was found unlocked during the audit. Consequently, the Chief was informed and asked to ensure the safe was locked at all times.
 - v. Observation: Record Retention
 - o CAP - The Police Department concurs with Internal Audit's recommendation and will ensure that all records are retained for the duration of the record retention period.
 - o L. Torres added that parking tickets required retention is three years, plus the current year. However, much of this documentation was unable to be produced for review.
 - vi. Observation: Traffic Regulatory Compliance
 - o CAP - The Police Department concurs with the Internal Audit's recommendation and will request that the Board of Trustees approve the College's adoption of the Texas Uniform Traffic Control Devices Manual. This item is part of the Security Master Plan that was just completed and is in the process of being presented to the SLT and Board of Trustees.
 - vii. Observation: Internal Training Requirements
 - o CAP - The Police Department concurs with Internal Audit's recommendation and will ensure that employees are current with all required internal training.
 - o B. Hellyer added that each CAP will be executed in the next few months, except the one related to the Traffic Regulatory Compliance, which will take longer to assess, recommend, and complete the recommendations.
4. Admissions Process Audit (Prior to Registration)
- L. Torres reviewed the executive summary of the Admissions Process Audit Report,

which included a detailed evaluation of internal controls and compliance requirements for residency, transcripts, orientation, testing, advising, and data security between Summer 2017 and Spring 2018. In general, the internal controls surrounding the admissions process were found to be sufficient. However, instances were noted where improvements could be made to strengthen existing controls and procedures. The following observations with their Corrective Action Plan (CAP) were noted:

- i. Observation: Student Residency Tuition
 - o CAP - The application processing team will run reports at the end of each term to verify that no incorrect changes were made to residency after the initial application submission.
 - o L. Torres advised that some students were paying in-district even though their address was out of district. The primary cause for this was that residency changes were made after the application submissions. Moving forward, a report will run to ensure that no changes have been made after the applications are submitted.
- ii. Observation: Banner Form Security
 - o CAP - The Banner team will review access controls for key admissions forms and assess which individuals need access as part of their job duties.
- iii. Observation: Admissions Procedures Manual
 - o CAP - A review of all training documents for admissions procedures will be completed.

IV. Review and Discuss 2018-2019 Property Tax Calculations

- T. Zamora reviewed the 2018-2019 Property Tax calculations.
 - o This will be submitted for approval at the October 1, 2018 Board Meeting.
 - o Statutory Constraints:
 - The Effective Property Tax Rate calculation produces an overall tax rate that would provide the same total taxes as last year when comparing the properties taxed in both years. Tax rates in excess of the Effective Tax Rate require two hearings.
 - The Rollback Property Tax Rate calculation produces a Maintenance and Operation (M&O) Rate, plus the necessary Debt Tax Rate, per \$100 of valuation. This calculated rate would provide about the same amount of M&O tax revenue from the previous year, plus an eight percent increase. Tax rates in the excess of the Rollback Tax Rate require tax payer vote.
 - o She added that a small portion of the tax base is residential, and despite concerns about the impact of Hurricane Harvey, results positively exceeded expectations. The 4.65 percent growth in the tax base results in a proposed rate decrease from previous calculations.
 - o The proposed tax rate of \$0.179329 per \$100 of valuation is a 1.9 percent decrease from the prior rate.

V. Review and Discuss need for a Broker/Dealer list of Investments

- T. Zamora explained the advantages for a Broker/Dealer list of investment opportunities.
 - o This will be an Action Item for September 10, 2018 Board Meeting.
 - Any securities to be purchased for the College's investment portfolio are purchased through a competitive bid process administered by the College's investment advisor. Approval of the Authorized Broker/Dealer List is required by the College's investment policy.
 - o The College worked with Patterson and Associates, investment advisors, to provide this list as a tool that is available if the College desires to purchase securities as investments.

- The recent interest rate environment has enabled the College to place the majority of its funds with governmental pools, which do not require the involvement of broker/dealers and have greater liquidity. However, as conditions change, it is prudent to have an approved list for use when needed.
- This will be monitored by monthly investment reports.

VI. Review and Discuss Implementation of Ethics Point Hotline and Related Policies

- T. Zamora reminded the committee of previous discussions to implement an anonymous Ethics Point Hotline.
 - R. Wheeler asked where the calls will go once received.
 - T. Zamora confirmed that they will go to a third party recording agency so the calls are kept anonymous. Once received by the third party from an anonymous source, the call's concerns will be shared with the Internal Audit department, which will work with the appropriate SLT member to decide how to address.
 - B. Hellyer affirmed that the College already gets reports from the state audit offices and this would be a proactive measure to address concerns internally and effectively before they get to the state level.
 - T. Zamora added that the procedures being developed mirrors the way those state reports are already handled.
 - R. Wheeler asked if we currently receive a lot of concerns.
 - B. Hellyer advised that we do not but giving people another tool to use will help the College address these concerns sooner.
 - K. Sinor asked if this would be available to employees only or students as well.
 - T. Zamora responded that it will be available for employees only through the internal website that is routed to the third party.
 - T. Zamora added that there will be mandatory training for all employees planned to start in November 2018.
 - T. Zamora advised the committee that the policy on ethical conduct and conflict of interest would apply to the Board of Trustees and employees. The hotline is a best practice in most colleges and gives someone another avenue to communicate concerns.
 - B. Hellyer added that the Board of Trustees already signs a Conflict of Interest Statement every year so this just aligns the policy with the process in place.
 - This information will be presented at the September 7, 2018 Board Retreat.

VII. The meeting adjourned at **5:52** p.m.