

**AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
HOUSTON COMMUNITY COLLEGE**

August 11, 2016

Minutes

The Audit Committee of Houston Community College met on August 11, 2016 at the HCC Administration Building, Second Floor Auditorium, 3100 Main, Houston, Texas.

Members Present

Robert Glaser, Committee Chair
Dave Wilson, Committee Member
Zeph Capo, Alternate Committee Member
Dr. Carolyn Evans-Shabazz
Dr. Adriana Tamez

Administration

Cesar Maldonado, Chancellor
Melissa Gonzalez, Chief of Staff
Ashley Smith, General Counsel
Teri Zamora, Senior Vice Chancellor, Finance and Administration
Dr. Kimberly Beatty, Vice Chancellor, Instructional Services/Chief Academic Officer
Dr. Athos Brewer, Vice Chancellor, Student Services
Madeline Burillo, President, Southwest College
Margaret Ford Fisher, President, Northeast College
William Harmon, President, Central College
Zachary Hodges, President, Northwest College
Phillip Nicotera, President, Coleman College
Irene Porcarello, President, Southeast College
Janet May, Chief Human Resources Officer
Terrance Corrigan, Director, Internal Audit

Others Present

Melissa Milhalick, Board Counsel, Bracewell LLP
David White, President, Faculty Senate
Other administrators, citizens, and representatives from the news media

CALL TO ORDER

Mr. Glaser, Committee Chair, called the meeting to order at 9:11 a.m. and declared the Board convened to consider matters pertaining to Houston Community College as listed on the duly posted Meeting Notice.

(The following Trustees were present: Evans-Shabazz, Glaser, and Wilson)

TOPICS FOR DISCUSSION AND/OR ACTION

PRESENTATION FROM EXTERNAL AUDIT FIRM ON AUDIT APPROACH AND PLAN

Dr. Maldonado informed that Grant Thornton LLP would provide an overview of the external audit.

(Mr. Capo joined the meeting at 9:14 a.m.)

Ms. Angela Dunlap and Ms. Erica Brown with Grant Thornton provided an overview consisting of the following:

- Governance and Management Responsibilities
- Audit Scope
 - Audit Timeline
 - Materiality
 - Views of those charged with governance
 - Related Parties
 - Use of the works of others
 - Significant risks and other areas of focus
 - Areas of focus for Single Audit (Uniform Guidance and State of Texas)
 - Technology support as part of the audit process
- Other Matters
 - Required communications
- Technical Updates
 - GASB Statement 72, Fair Value Management and Application
 - Selected pronouncements effective for period ending August 31, 2016:
 - GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government
 - GASB Statement No. 74 and No. 75, Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions
 - GASB Statement 77, Tax Abatement Disclosures
 - GASB Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14
 - GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No, 68, and No. 73
 - GASB projects and pre-agenda research

(Dr. Tamez joined the meeting at 9:20 a. m.)

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Mr. Wilson referenced page 13 regarding operating expenses and inquired as to what type of audit is conducted for daily college operating expenses. Ms. Dunlap noted that a line item comparison is done based on the detail the college tracks, expenses and scope. Mr. Wilson noted the Board approved spending \$4 million on energy efficiency and noted he would like to see the savings resulting from those types of investments to assist with decision making.

(Mr. Capo stepped out at 9:36 a.m.)

Ms. Dunlap noted the firm would not have the expertise to identify the savings but would review if the expenditures were spent in line with the agreements. Ms. Dunlap noted that normally the internal audit function could perform a review on this type of activity.

(Dr. Hansen joined the meeting at 9:37a.m.)

Mr. Glaser recommended Mr. Wilson submit the inquiry in writing to him from an audit committee standpoint, and he would route appropriately to obtain a report. Dr. Maldonado noted the current series of energy efficiency projects have not been implemented and a post-project analysis will be presented since it is state required as part of the process.

Mr. Glaser inquired if the TRS reconciliation at the end of the year is due to the payments or the managing of the fund and its liabilities. Ms. Dunlap stated the overall evaluation is done as a whole based on the participants on the plan. Mr. Glaser inquired when periodic payments are made is it based on the theoretically returns. Mrs. Zamora noted the payment is based on payroll or the cash transaction of 3.4%, and noted the other transaction theoretically will never be paid because it is a TRS liability but GASB requires it be recorded. She noted the rate TRS receives determines the impact to the college and noted there is yearly expectation of either an increase or decrease of the liability.

Mr. Wilson inquired if the Board should be looking at sitting aside funds as a line item for future budgets. Dr. Maldonado noted there is no cash transaction associated with the item as it is only a book entry. Mr. Glaser noted the entry affects the balance sheet, but it is a charge as a liability. Mr. Wilson inquired if this is any different than an accounts payable liability. Mrs. Zamora noted that in accounts payable it is a bill to be paid with cash and there is a timely difference; however, on account of GASB, the college will not theoretically pay the debt. She noted payments are currently funded for the year but not the totality of the retiree's insurance and apprised detail information will be provided during the Fund Balance discussion scheduled for November.

QUARTERLY INTERNAL AUDIT REPORT

Dr. Maldonado recognized the onboarding of Mr. Terry Corrigan, Director of Internal Audit, and apprised that Mr. Corrigan would be reporting on the 2016 audit plan status and follow up items.

Dr. Tamez welcomed Mr. Corrigan to HCC.

Mr. Corrigan presented the 2016 plan status and noted three of the seven audits are completed. He apprised that the Human Resources audit will begin and informed that the remaining four are being rolled over to 2017. He reported the Business Continuity follow up action plan items is complete.

FISCAL YEAR 2017 INTERNAL AUDIT WORK PLAN REVIEW

Dr. Maldonado noted that a meeting was held with Mr. Corrigan to identify an Internal Audit plan.

Mr. Corrigan provided an overview of the Internal Audit Plan Review as follows:

- Staffing Timeline
- Organization Chart
- 2016-17 Audit Plan
- Draft Internal Audit Plan (FY 2017)
- Draft Proposed Audit Plan
- 2016-17 High Risk Audit Candidates

REPORT ON QUARTERLY CONTROL AND COMPLIANCE ATTESTATION

Dr. Maldonado apprised the quarterly attestation was provided for the quarter ending May 2016. He noted there are no materials for disclosure that have not already been reported to the Board.

Mr. Glaser recommended entertaining the idea of aligning the Compliance department with the Internal Audit department.

ADJOURNMENT

With no further business coming before the Board, the meeting adjourned at 10:00 a.m.

Minutes recorded, transcribed & submitted by:
Sharon Wright, Director, Board Services

Minutes Approved as Submitted: September 22, 2016