

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

December 8, 2016

Minutes

The Audit Committee of Houston Community College met on Thursday, December 8, 2016 at the HCC Administration Building, Second Floor Auditorium, 3100 Main, Houston, Texas.

Members Present

Robert Glaser, Committee Chair
Dave Wilson, Committee Member
Eva Loreda, Alternate Committee Member
John P. Hansen
Adriana Tamez

Administration

Cesar Maldonado, Chancellor
Melissa Gonzalez, Vice Chancellor/Chief of Staff
Ashley Smith, General Counsel
Teri Zamora, Senior Vice Chancellor, Finance and Administration
Kimberly Beatty, Vice Chancellor, Instructional Services/Chief Academic Officer
Madeline Burillo, President, Southwest College
Margaret Ford Fisher, President, Northeast College
Jason Wilson, Acting President, Central College
Zachary Hodges, President, Northwest College
Phillip Nicotera, President, Coleman College
Irene Porcarello, President, Southeast College
Janet May, Chief Human Resources Officer
Deborah Chambers, Interim Executive Director, HCC Foundation
Terrance Corrigan, Director, Internal Audit

Others Present

Melissa Mihalick, Board Counsel, Bracewell LLP
Mellissa Miller-Waters, President, Faculty Senate
Other administrators, citizens, and representatives from the news media

CALL TO ORDER

Mr. Robert Glaser, Committee Chair, called the meeting to order at 11:01 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: Hansen, Glaser, Tamez, and Wilson)

TOPICS FOR DISCUSSION AND/OR ACTION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

Motion: Mr. Wilson motioned and Mr. Glaser seconded.

Dr. Maldonado noted that Mrs. Teri Zamora would introduce the Grant Thornton representatives regarding the Annual Financial Report for Fiscal Year Ended August 31, 2016.

Mrs. Zamora noted that the presentation would be provided by Ms. Angela Dunlap.

Ms. Dunlap introduced Karmyn Jefferies and Erica Brown as the audit team and noted communication was provided in the packet regarding the results of the audit.

Ms. Brown provided an overview of the following:

- Audit Scope and Results
 - Significant risks
 - Other areas of focus
- Result of the Audit

Ms. Dunlap noted they were issuing an unmodified “clean” opinion meaning the financial statements are free of material misstatements and in accordance with general accounting principles. She noted there were no unresolved audit issues and added that there continues to be open and effective communication with administration throughout the year.

Ms. Dunlap noted Ms. Jefferies would provide an overview of the Uniform Grant and State of Texas Single Audit Circular regarding significant risks.

Ms. Jefferies noted the only finding was the student financial aid cluster.

Ms. Dunlap noted the Single Audit findings were located on page 10 under the following:

- Result of the Single Audit
- Single Audit Findings

(Ms. Loreda joined the meeting at 11:11 a.m.)

- Status of Prior Year Single Audit Findings

Ms. Jefferies noted that significant progress has been made to clean up the errors and referenced page 11.

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Ms. Jefferies provided a summary to adjustments to include:

- Summary of adjustments – Recorded
- Summary of adjustments – Unrecorded
- Internal control matters

Ms. Brown noted that there was one internal control matter regarding the process when cash is received and noted deficiency in the recording process.

Mr. Wilson inquired as to what is the deficiency. Ms. Brown noted the funds were received via wire transfer prior to August 31; however, there was no noting of the reconciliation during August 2016. She noted the recording was done in September 2016 for fiscal year 2017.

Mr. Glaser inquired if there are procedures to address the concern to prevent this in the future. Mrs. Zamora noted that procedures are being developed to prevent future occurrences.

Ms. Loreda inquired if there is another oversight committee to catch the mistakes prior to the audit. Dr. Maldonado noted there are no penalties imposed and efforts are being made to make certain reports are aligned with expectations. Mrs. Zamora noted there are various audits that provide input as to where to improve. Mrs. Zamora noted that the repeated findings regarding financial aid were due to the data occurring in the fall, after the audit had been underway.

Dr. Tamez noted she was pleased with the audit report and for administration to continue to work towards setting up a solid system to prevent what was identified. Dr. Maldonado concurred with Dr. Tamez regarding the processes that need to be improved upon so the same issues do not surface again.

Ms. Jefferies continued with the presentation to include:

- Other required communications
 - No disagreement with management
 - No significant difficulties encountered during the audit
 - Implementation of GASB statements No. 72 and No. 79
- Quality of Accounting Practices
 - Accounting Policies and Disclosures
 - Accounting Estimates

Grant Thornton entertained questions regarding the audit.

Mr. Wilson referenced page 8 and inquired of the number of programs in total. Ms. Dunlap noted that they are between 20 to 25 federal and state programs. Mr. Glaser noted they are

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rotated every year. Ms. Dunlap apprised that a risk-based approach is utilized and added that financial aid is audited yearly due to its size and the percentage coverage rule.

Mr. Wilson referenced page 10 and inquired why it was considered a deficiency due to the timing. Ms. Dunlap noted that the Federal Government requires federal funds be returned within 45 days if a student drops and owes money.

Mr. Wilson inquired of the GASB 72 and 79. Ms. Dunlap noted the GASB 72 are standards to determine fair value market investments and associated with Levels 1, 2 or 3. She noted the financial statements include a table identifying the various levels of the college investments. She noted that GASB 79 is in relation to external investment pools, such as TexPool, a state investment vehicle the college utilizes.

Ms. Dunlap continued with the presentation to include:

- Accounting Updates
 - Selected pronouncements effective for the year ending August 31, 2017 or subsequent periods
 - NACUBO Accounting Principles Council – Blank Slate Project
- Industry Trends

Mr. Wilson referenced page 25 and inquired about the MOOC style courses. Dr. Maldonado explained those are massive online courses offered by huge syndicates to thousands of students at one time.

Mr. Glaser referenced page 13 and inquired as to which items would have a balance sheet impact and if it was just that one item recorded. Ms. Dunlap conferred that the adjustment listed is as recorded.

Mr. Glaser referenced the reoccurring financial aid issue and noted that although progress is being made in that area, and noted anything that repeats itself is of concern to him. Ms. Dunlap apprised that there were three overlaps from last year's reporting and the nuisances identified are being enhanced through processes identified.

Mr. Glaser inquired if the final opinion will be provided before the regular meeting on December 15. Ms. Dunlap noted the letter will be provided before the meeting.

Mr. Wilson referenced page 13, item 1 as being recorded as a credited liability and now a debit. Ms. Dunlap explained it was recognized as the interest payable, therefore, it increased the payable and increased the expense.

Mr. Glaser thanked Grant Thornton's representatives for the report and the administration for moving in the right direction.

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Mr. Wilson thanked Mrs. Zamora for a good job.

Vote: The motion passed with a vote of 3-0.

ADJOURNMENT

With no further business coming before the Board, the meeting adjourned at 11:42 a.m.

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

Minutes Approved as Submitted: January 19, 2017