

**Contra Costa Community College District
Minutes of the Board Finance Committee Meeting**

Date: March 4, 2014

Time: 3:00 p.m.

Place: George R. Gordon Education Center
6th Floor Conference Room
500 Court Street
Martinez, California

Board Members: Greg Enholm, Matthew Rinn
District Participants: Christina Chellew, Ellen Forsman, Gene Huff, Darcy Johnson,
Mojdeh Mehdizadeh, Arzu Smith
Guest: Aaron Christopher

CALL TO ORDER

The meeting was called to order by Governing Board member Greg Enholm at 3:00 p.m.

PRESENTATIONS FROM THE PUBLIC

There were no presentations from the public.

WELCOME AND INTRODUCTIONS

Mr. Enholm introduced himself and guest Aaron Christopher, vice president of business and administration at John F. Kennedy University. He then called on everyone to introduce themselves.

ACTION ITEMS

Approval of March 4, 2014, Meeting Agenda

The March 4, 2014, meeting agenda was unanimously approved by the following vote:

Ayes: Greg Enholm, Matthew Rinn

Approval of December 3, 2013, Meeting Minutes

The December 3, 2013, meeting minutes were unanimously approved by the following vote:

Ayes: Greg Enholm, Matthew Rinn

INFORMATION/DISCUSSION

Summary of Internal Audit Service Activities – Darcy Johnson

Director of Internal Audit Services Darcy Johnson began with a presentation on fueling operations explaining that each of the campuses house 500 gallon aboveground gasoline tanks. She said that two items are being done: first, enhance internal controls at the campuses to increase security and track use of the tanks; and second, begin long term planning to prepare for upcoming changes in state regulations related to vapor recovery regulations. She listed the recommended internal controls that are currently being implemented at all the campuses: securely lock all tanks; keep accurate logging records; keep daily meter readings; and limit usage privileges at each campus. She then discussed what is known so far of the upcoming changes to the state vapor recovery regulations explaining that Phase I must be implemented by July 1, 2014, and is anticipated to cost approximately \$5,000 per tank. She added that Phase II regulations have not been fully developed by the state, but are estimated to cost approximately \$20,000 per site. Ms. Johnson noted the District will have between four to five years to discuss different options as the Phase II regulations will only affect 500 gallon aboveground gas tanks that are 500 gallons or larger. She further explained that the District has the option to switch to smaller tanks or remove gasoline on campus if the regulations are too costly compared to the actual need and use of the tanks. Executive Vice Chancellor, Administrative Services Eugene Huff clarified that some of the arguments for keeping gas on campus is for on-campus-only vehicles that are not street legal such as golf carts and small equipment such as lawn mowers. Ms. Johnson said that Chief Facilities Planner Ray Pyle is the lead on this project and all options are being discussed at the Cabinet level. Mr. Enholm asked how old the tanks are and Ms. Johnson said she was not sure, but noted that they are up current regulation standards. Mr. Enholm suggested speaking to Energy Manager David Vasnaik to see if a rebate was possible through PG&E for upgrading the gasoline tanks. Ms. Johnson assured Mr. Enholm that the age of the tanks is being included in the decision making discussions.

Ms. Johnson continued with a risk assessment presentation that was provided in the agenda packet. Mr. Enholm added that the largest problem with risk assessment is assuming a low probability is a zero probability and he appreciated Ms. Johnson accounting for low probability items within her presentation. Mr. Enholm asked for clarification on "TBA hours" and Mr. Huff explained that those are "to be arranged" hours and are separate from faculty overload. Mr. Enholm asked if the definition of "concurrent enrollment" is changing and Executive Vice Chancellor, Education and Technology Mojdeh Mehdizadeh explained that it is not changing, but the state is attempting to better define it. She said that there are caps for physical education courses and an overall cap of 5% for each site. Ms. Mehdizadeh said the state is discussing the cap, since an increase in student success among those students taking college courses while still in high school has been noted. Mr. Enholm stated he was glad to see TBA hours on the list and noted he risk assessments are keeping up with current legislation.

Ms. Johnson noted she is gathering input on risk assessment by meeting with most departments within the District Office and key people at each of the campuses. She said there are a few more visits to set up. Mr. Christopher asked if Ms. Johnson was using a current risk assessment model or if she was starting from "scratch," and Ms. Johnson said she was starting from scratch. Mr. Enholm commended Ms. Johnson on her work, her efforts in prevention and her forward thinking approach.

Summary of External Audit Interim Work – Arzu Smith

Director of District Finance Services Arzu Smith said that staff members of James P. Marta & Co. (JM) are scheduled to visit from April 7, 2014, through April 18, 2014, for the 2013-14 interim audit. She noted that JM will focus on Diablo Valley College this year, clarifying that JM focused on Contra Costa College in their first year of service and in their second year they focused on Los Medanos College. Ms. Smith said the client package is expected soon and it will provide the District with information on what is needed for the interim audit.

NEXT MEETING

The Board Finance Committee (BFC) agreed to the proposed meeting dates for 2014-15 with the correction of Monday December 8, 2014, to Tuesday December 9, 2014. The next regular meeting of the BFC is scheduled for August 5, 2014, at 3:00 p.m. in the sixth floor conference room of the District Office.

ADJOURNMENT

There being no further business to come before the BFC, Mr. Enholm adjourned the meeting at 3:38 p.m.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT
BOARD FINANCE COMMITTEE AGENDA
George R. Gordon Education Center
6th Floor Conference Room
500 Court Street, Martinez, California 94553**

March 4, 2014

CALL TO ORDER – 3:00 P.M.

PUBLIC COMMENT

ACTION ITEMS

- Approval of March 4, 2014, agenda
- Approval of December 3, 2013, minutes (*Attachment*)

INFORMATION/DISCUSSION

- Summary of Internal Audit Service Activities (*Attachment*) – Darcy Johnson
- Summary of External Audit Interim Work – Arzu Smith

NEXT MEETING

- Proposed Meeting Dates for 2014-15 (*Attachment*)

ADJOURN

**Contra Costa Community College District
Minutes of the Board Finance Committee Meeting**

Date: December 3, 2013

Time: 3:00 p.m.

Place: George R. Gordon Education Center
6th Floor Conference Room
500 Court Street
Martinez, California

Board Members: Greg Enholm, Matthew Rinn
District Participants: Helen Benjamin, Christina Chellew, Roshan Dahi, Ellen Forsman,
Gene Huff, Darcy Johnson, Mojdeh Mehdizadeh, Jonah Nicholas,
Ronke Olatunji, Arzu Smith
Guest: David Becker, James Marta & Co. CPA (JM)

CALL TO ORDER

The meeting was called to order by Governing Board member Greg Enholm at 3:00 p.m.

PRESENTATIONS FROM THE PUBLIC

There were no presentations from the public.

WELCOME AND INTRODUCTIONS

New Board Finance Committee member

Mr. Enholm introduced himself as a member of the Contra Costa Community College District (CCCCD) Governing Board and as the chair of the Board Finance Committee (BFC). He then introduced Governing Board member Matthew Rinn, as the new BFC member. He then called on everyone to introduce themselves.

Distribution of New BFC Member Orientation Packet

Associate Vice Chancellor, Chief Financial Officer Jonah Nicholas reviewed the documents that were in the BFC member orientation packet listed below.

- Initial minutes of the BFC, dated September 28, 1998
- Governing Board meeting minutes, dated September 28, 1998
- Rules and Regulations of the Governing Board No. 8
- Board Policy (BP) 5034, Internal Audit Services (IAS) – Charter
- Business Procedure 21.01, When to Contact Internal Audit Services (IAS)

New Director of Internal Audit Services

Darcy Johnson introduced herself as the new Director of IAS.

ACTION ITEMS

Approval of December 3, 2013, Meeting Agenda

The December 3, 2013 meeting agenda was unanimously approved.

Approval of August 6, 2013, Meeting Minutes

The August 6, 2013, meeting minutes were unanimously approved.

INFORMATION/DISCUSSION

Summary of Interim Audit – James Marta (JM) & Co. CPA

Mr. Becker, partner of JM, distributed a report which included an audit status list, an itemization of discussion topics covering residency determination and documentation, concurrent enrollment classification, TBA courses, verification letter to students, return to Title IV, and a list of next steps.

Mr. Becker provided a brief overview of the audit process for Mr. Rinn and Ms. Johnson. He continued by reviewing the audit status list which included the following information.

- The year-end audit field work was completed in November 2013 with no compliance issues noted; the Contra Costa College, Diablo Valley College and Los Medanos College Foundation audits are complete pending final review and District approval
- the financial and performance audits of the 2002 and 2006 bonds are complete pending District approval;
- the financial statements of the Retirement Futuris Public Entity Investment Trust is complete pending District approval; and
- an extension has been filed for the annual tax exempt returns for the college foundations which will be completed in December 2013.

Mr. Becker discussed items that arose during the 2013 audit. He noted there have been no findings, only discussion items that have already been remediated.

Mr. Becker reviewed the next steps stating that JM is expecting the pending legal matters for potential disclosures to be resolved shortly and anticipates not having to accrue anything. He said that once management prepares the discussion and analysis and provides JM with representation letters, the finalized audit report will be issued and presented to the Governing Board in January 2014.

Summary of Changes in Internal Audit (IA) department – Dr. Helen Benjamin

Ms. Johnson explained that she and Ms. Forsman have been conducting research from Los Rios Community College District and reviewing Ms. Olatunji's investigations. She said that

over the next six to seven months, her next steps will be review of risk assessment, going on campus tours, completing Ms. Olatunji's procurement card review, and conducting periodic grade change reviews.

NEXT MEETING

The next BFC meeting is scheduled for March 4, 2014, from 3:00 p.m. to 4:00 p.m. at the District Office.

ADJOURNMENT

There being no further business to come before the BFC, Mr. Enholm adjourned the meeting at 3:57 p.m.



Contra Costa
Community
College District

pathways to success

Contra Costa Community College
District
Risk Assessment Process 2014
Governing Board Finance Committee

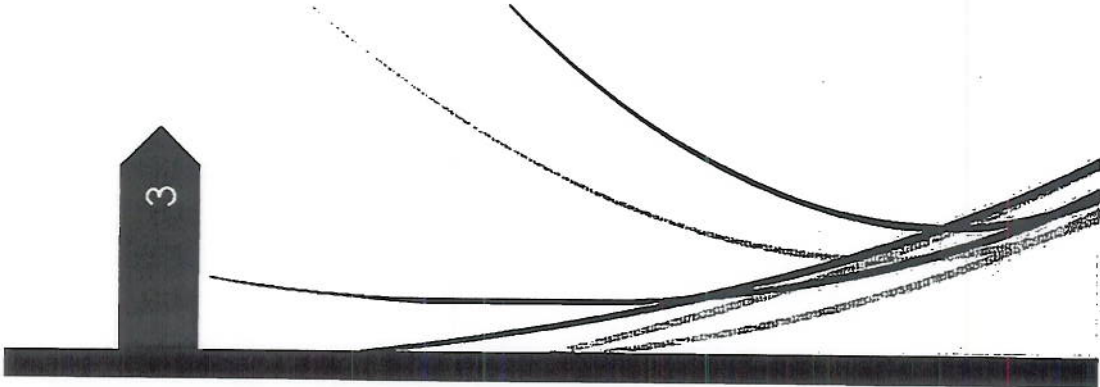
March 4, 2014

Risk Assessment Process

- Identify risks
- Develop assessment criteria – common definitions
- Assess risks
- Prioritize risks
- Respond to risks – Accept, mitigate, transfer or avoid

Risk Ratings = Probability X Impact

- ▶ A risk rating is determined by considering the probability that something will happen in relation to the impact it will have if it does occur.



Probability

The possibility that a given event will occur.

Expressed as:

- Rare – Not likely to occur within the next 10 years
- Unlikely – Not likely to occur within the year
- Possible – May occur within the year
- Likely – Almost certain to occur
- Certain – Certain to occur



Impact

The extent to which a risk event might affect the enterprise.

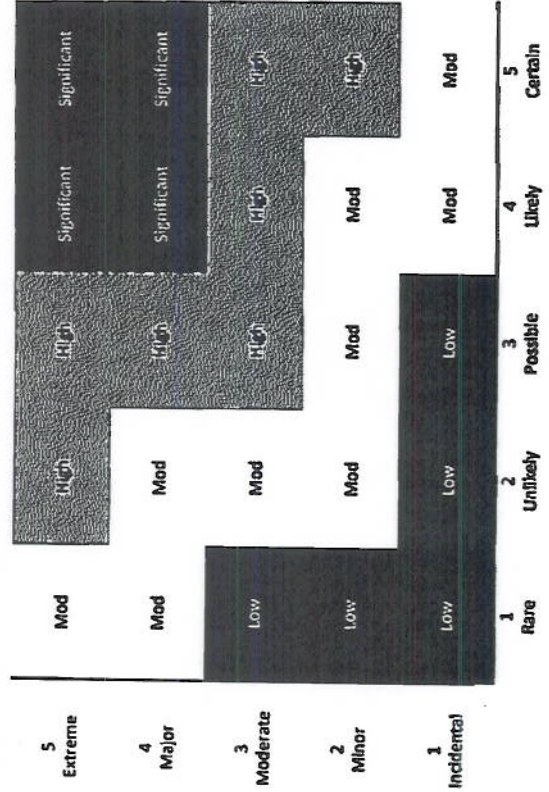
- ▀ Impact assessment criteria may include financial, reputational, regulatory, health, safety, security, environmental, employee, customer, and operational.

Impact Definitions

Type of Impact	1 Incidental	2 Minor	3 Moderate	4 Major	5 Extreme
Financial	up to \$5,000	Up to \$50,000	Up to \$500,000	Up to \$1,000,000	Over \$1,000,000
Students	May impact an individual student	May impact a few students	May impact an identifiable group of students	May impact a large group or multiple groups of students	May impact virtually all students
Adverse Publicity /Reputational	Will not be reported	May be reported in campus newspapers	May be reported in local newspapers	May be reported in major state newspapers	May be reported nationally
Compliance	Communicated by auditors verbally or in a mgmt letter	Significant deficiency reported in financial audit.	Material weakness reported in financial audit	Qualified/Adverse opinion on financial audit	May lose accreditation
Employees	Isolated staff dissatisfaction	General staff morale problems & increase in turnover	Widespread staff morale problems & high turnover	Some senior mgrs leave, high turnover of exp'd staff, not perceived as employer of choice	Multiple senior leaders leave
Safety	No injuries to employees/students /3rd parties	No or minor injuries to emp/students/3rd parties	Out-patient medical treatment required	Limited in-patient care req'd	Significant injuries or fatalities

Risk Ratings Probability X Impact

Risk Assessment Ratings



Low 1-3
 Moderate 4-8
 High 9-15
 Significant 16-25

Probability

Identify and write risk statements

A risk is an adverse event that could (might) happen. To understand it, the impact needs to be included.

It is not sufficient to merely identify the topic of the risk.

For example:

- Erroneous FTES

The risk statement could be:

- Overstating FTES by the District would put the district out of compliance with state requirements, could require the district to refund excess funds that had been received, and subject the district to adverse publicity.

For Example

Software Licenses – Discovery of unlicensed software on district computers could result in fines and adverse publicity.

Does the District have good controls over Software Asset Management?

Note: The Business Software Alliance (BSA) administers anti-piracy enforcement programs in over 60 countries worldwide. They encourage whistleblowers and may pay a bounty when fines are collected.

- Computer software is protected by the U.S. Copyright Act, 17 USC §102 (a) (1); 1 Nimmer on Copyright, Subject Matter of Copyright, §2.0 [C], p. 2-51 (2003). The Copyright Act provides for damages, civil penalties and attorney fees for copyright infringement. An infringer is liable for either the copyright owner's actual damages and any profits of the infringer or statutory damages of \$750 to \$30,000 for each work infringed, 17 USC §504 (a), (c) (1). To recover statutory damages in most cases, the infringed work must have been registered with the Copyright Office before the infringement, 17 USC §412.
- If the copyright owner can prove that the infringement was willful, the court has discretion to increase the statutory damages to \$150,000 per work, 17 USC §504 (c) (2).

Risk Areas and Possible Risk Statements

Purchase Cards (P-Cards) – Failure to control and monitor P-card use could allow fraudulent use resulting in financial losses to the district. Further, should it become known there could be adverse publicity. Misuse could include staff using the cards for personal purchases, avoiding use of contracted vendors or making inappropriate purchases with district funds.

Inventory Management – Failure to maintain accurate inventory records of district equipment could result in misstated financial statements, financial losses, and adverse publicity.

Grade Changes – Unauthorized upward grade changes could result in students receiving unearned financial benefits (continuation of financial aid), loss of public trust and adverse publicity for the district.

Payment Card Industry (PCI) – Failure to adequately protect personal information according to PCI standards could result in being denied the right to accept payments via credit or debit cards. This could cause financial hardship on students and the district as well as adverse publicity.

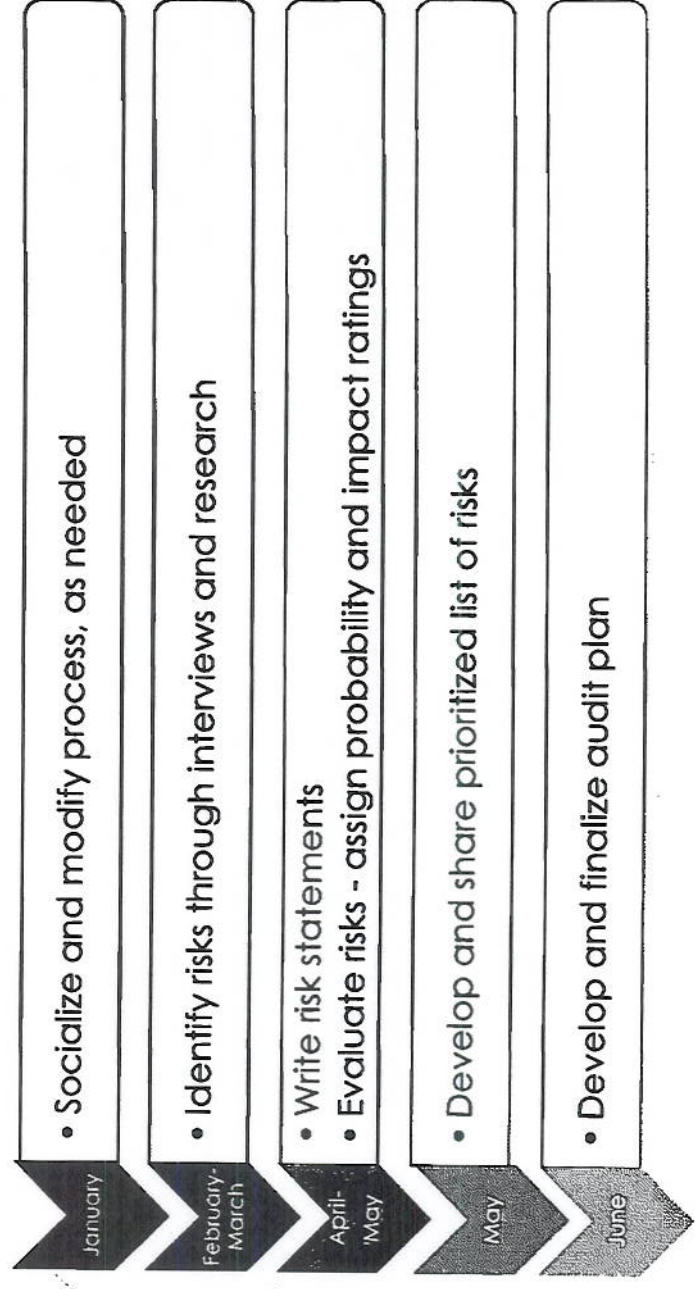
TBA Hours

Concurrent Enrollment Authorization

Payroll Review

Instructional Service Agreements

Timeline

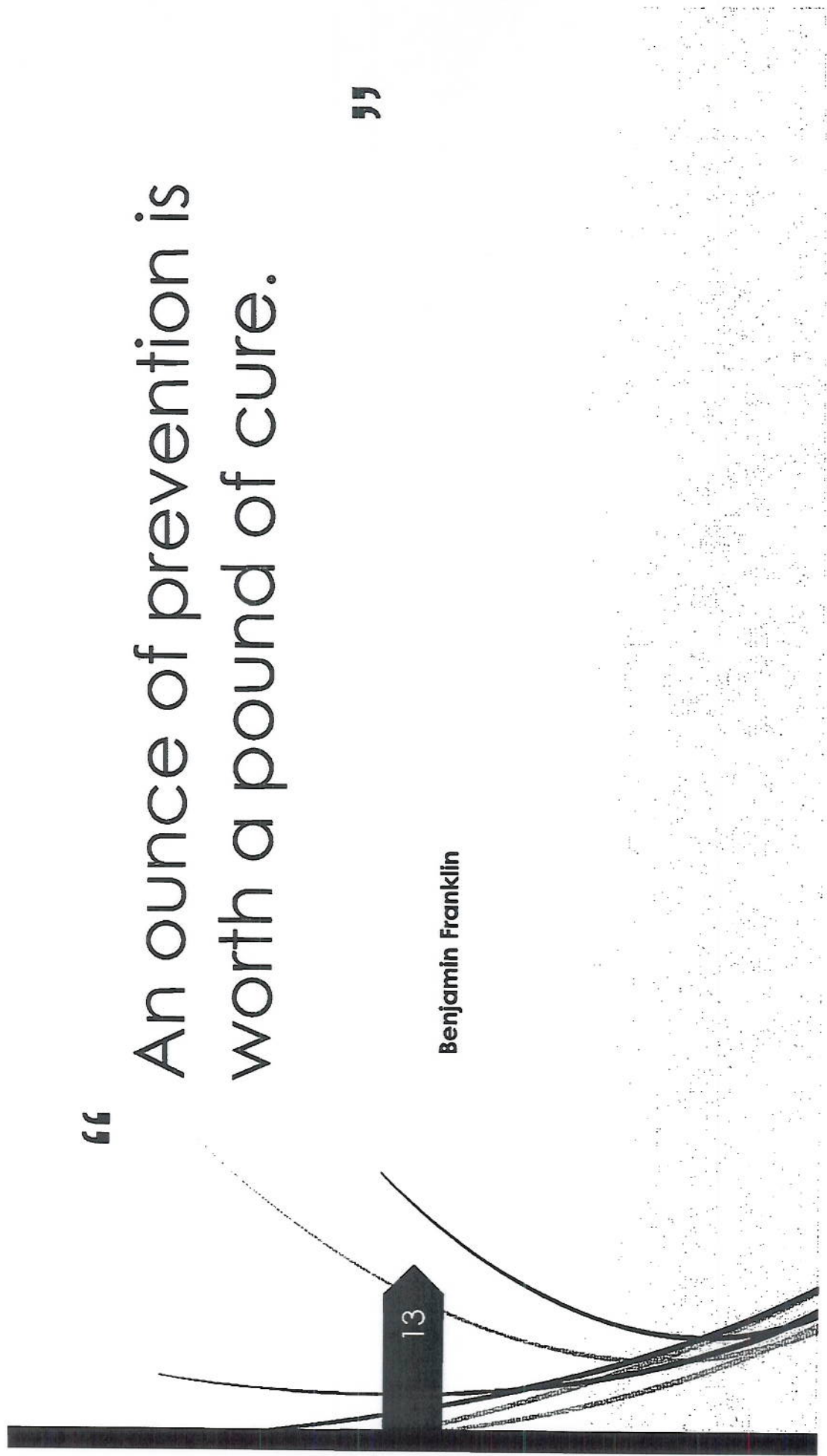


Next Steps

- ▶ Continue meeting with district leaders to identify risks.
- ▶ Write risk statements.
- ▶ Evaluate probability and potential impact of identified risks.

“ An ounce of prevention is worth a pound of cure. ”

Benjamin Franklin



Resources

- Deloitte & Touche LLP. "Risk Assessment in Practice", October 2012.
http://www.coso.org/documents/COSOAnnncsOnlineSurvey2GainInpt4Updft2IntrnlCntrlIntgratdFrmwrk%20-%20for%20merge_files/COSO-ERM%20Risk%20Assessment%20inPractice%20Thought%20Paper%20Octob er%202012.pdf
- www.COSO.org COSO – Committee of Sponsoring Organizations of the Treadway Commission
- www.THEIIA.org <https://na.theiia.org/standards-guidance/topics/Pages/COSO-Resource-Center.aspx>

Governing Board Finance Committee 2014-15 Proposed Meeting Dates

DATE	TIME	LOCATION
August 5, 2014	3:00pm – 4:00pm	DO 6 th Floor Conference Room
December 8, 2014	3:00pm – 4:00pm	DO Board Room
March 3, 2015	3:00pm – 4:00pm	DO 6 th Floor Conference Room