

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

September 10, 2015

Minutes

The Audit Committee of the Board of Trustees of Houston Community College held a meeting on Thursday, September 10, 2015, at the HCC Administration Building, Second Floor Auditorium, 3100 Main, Houston, Texas.

MEMBERS PRESENT

Robert Glaser, *Chair*
David Wilson, *Committee Member*
Carolyn Evans-Shabazz
Eva Loreda

ADMINISTRATION

Cesar Maldonado, Chancellor
Shantay Grays, Chief of Staff
E. Ashley Smith, Acting General Counsel
Kimberly Beatty, Vice Chancellor, Instructional Services, Chief Academic Officer
William Carter, Vice Chancellor, Information Technology
Butch Herod, Vice Chancellor, Innovation, Planning and Institutional Analytics
Irene Porcarello, Interim Vice Chancellor, Student Services
Teri Zamora, Senior Vice Chancellor, Finance and Administration
Margaret Ford Fisher, President, Northeast College
Fena Garza, President, Southwest College
William Harmon, President, Central College
Zachary Hodges, President, Northwest College
Phillip Nicotera, President, Coleman College
Rudy Soliz, Interim President, Southeast College
Janet May, Chief Human Resources Officer

OTHERS PRESENT

Jarvis Hollingsworth, Board Counsel, Bracewell & Giuliani
Other administrators, citizens and representatives from the news media

CALL TO ORDER

Mr. Robert Glaser, Chair, called the meeting to order at 2:34 p.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: Glaser, Evans – Shabazz and Wilson).

PRESENTATION FROM EXTERNAL AUDIT FIRM ON AUDIT APPROACH AND PLAN

Dr. Maldonado noted that Grant Thornton would provide a presentation regarding the external audit approach and plan.

(Trustee Loreda arrived at 2:35 p.m.)

Mrs. Teri Zamora informed that this is the second year that Grant Thornton conducted the external audit and introduced Ms. Angela Dunlap, Engagement Partner and Ms. Karymn Jefferies, Engagement Senior Manager.

Ms. Dunlap provided an overview of the following:

- External Auditor Responsibilities
- Audit Committee and Management Responsibilities

Mr. Wilson referenced the Audit Committee responsibilities regarding informing about fraud or suspected fraud, including its view about fraud risks and apprised it is important to set the tone at the top regarding fraud, compliance with laws and regulations and a good system of internal controls.

Ms. Dunlap continued with the presentation:

- Audit Scope
- Audit Timeline
 - Planning
 - Preliminary risk assessment procedures
 - Interim procedures
 - Final fieldwork and deliverables
 - Status meetings with management

Mr. Wilson inquired if there were any findings during preliminary risk assessment procedures and interim procedures. Ms. Dunlap informed that no issues were identified during the preliminary procedure.

Mr. Wilson inquired how the business risk versus the audit risk is handled. Ms. Dunlap apprised that conversations include occurrences from last year that need to be taken into consideration when designing the audit procedures.

Ms. Dunlap continued the presentation to include:

- Materiality
 - Materiality benchmarks
 - Tolerable error
 - Audit adjustment threshold

Mr. Wilson inquired about the materiality percentages. Ms. Dunlap noted that the materiality percentage is between one and three percent and the tolerable is a range between sixty and seventy-five percent greater than the materiality number. Mr. Wilson inquired about the audit adjustment. Ms. Dunlap informed that the audit adjustment is three to five percent of materiality.

Ms. Dunlap continued the presentation to include:

- Views of the Those Charged with Governance
 - Fraud risks
 - Awareness of fraud

Ms. Dunlap asked the committee to submit any areas, which should be considered relating to risk factors.

(Trustee Capo joined the meeting at 2:48 p.m.)

Mr. Glaser asked the Trustees to submit areas of interest in writing and he would forward to the external auditors.

Ms. Dunlap continued the presentation to include:

- Related Parties

(Mr. Capo stepped out at 2:49 p.m.)

- Use of the Work of Others

Ms. Jefferies presented the following:

- Significant Risks and Other Areas of Focus
 - Fraud inquiries
 - GASB Statement 68, accounting and financial reporting for pensions – an amendment of GASB Statement No. 27
 - Cash
 - Investments
 - Capital investments
 - Debt
 - Tuition revenue, auxiliary enterprises and related receivables/unearned revenue
 - State appropriations
 - Grant revenue
 - Operating expense including employee compensation and related accruals
 - Adequacy of disclosures
 - Compliance with OMB Circular A-133 and State of Texas Single Audit Circular
 - Computer data acquisition analysis

(Trustee Capo returned at 2:55 p.m.)

- Areas of Focus for Single Audit (OMB Circular A-133 and State of Texas)
 - Student financial aid cluster
 - Post 9/11 veteran's assistance – Federal CDFA No. 64.028
 - Adult Education – Federal CFDA No. 84.002
 - Texas Education Opportunity Grant (TEOG) – State
 - Nursing Shortage Under 70 Program – State

- Technology as Part of the Audit Process
- Required Communications

Ms. Dunlap provided an overview of technical and accounting to include GASB Statement 68, accounting and financial reporting for pensions- an amendment of GASB Statement No. 27 GASB Statement 68, accounting and financial reporting for pensions- an amendment of GASB Statement No. 27.

Mr. Wilson noted that he is impressed with the audit procedures presented today and informed that he would like to be kept abreast. Mr. Wilson apprised that he has further questions and would like to meet with Grant Thornton.

Mr. Glaser inquired if there are any outstanding items still pending from last year. Ms. Dunlap noted that management has responded and addressed all items and follow-up conversations will be conducted in October.

Mr. Glaser asked if HCC has proper oversight of bond projects. Ms. Dunlap apprised that the review is to check capital assets as it relates to alignment with bond documents, approvals, check processing, and ensuring it is fiscally properly capitalized.

ADJOURNMENT

With no further business coming before the Board, the meeting adjourned at 3:04 p.m.

Minutes recorded, transcribed & submitted by:
Melinda Davila, Executive Secretary, Board Services

Minutes Approved as Submitted: _____