



Governing Board's Finance and Audit Committee

Friday, December 13, 2019

9:00am

District Office, D225

### Meeting Minutes

#### In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Scott Odom, Marie Nemerguth, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia

#### Unable to Attend:

Adrienne Regrutto (Chair-Elect)

#### Guests:

General Counsel Jeff Silvyn, Director Kurt Weirich, Director Cecily Westphal

#### General Matters

##### 1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:01am, noting a quorum was met.

#### Action Items

##### 2. Approval of Minutes from October 25, 2019

Chair Nuckolls asked if the Committee had any changes to the minutes. With no changes, a motion was made to approve the minutes.

##### *Motion No. 201912-01: Approve Minutes from October 25, 2019*

First: Marie Nemerguth

Second: Demion Clinco

Vote: Motion passed unanimously (Nuckolls, Clinco, Odom, Nemerguth, Tuchi, Manzanedo, Vatne, Garcia voting in favor)

Motion Carried.

##### 3. Vote to Recommend Ken Marcus for Membership on the Governing Board's Finance and Audit Committee

Chair Nuckolls and Dr. David Bea met with Ken Marcus, Chief Financial Operating Officer for the University of Arizona's Tech Parks, who expressed interest in joining this Committee. The Chair recommended Mr. Marcus for membership on this Committee and asked if there was a motion for a vote.

*Motion No. 201912-02: Recommend Ken Marcus for Membership on the Governing Board's Finance and Audit Committee*

First: Ben Tuchi

Second: Maria Garcia

Vote: Motion passed unanimously (Nuckolls, Clinco, Odom, Nemerguth, Tuchi, Manzanedo, Vatne, Garcia voting in favor)

Motion Carried.

## Reports and Feedback

### **4. Internal Audit Update (Jeff Silvyn, Kurt Weirich)**

Mr. Kurt Weirich presented the Executive Dashboard, which contains elements recommended by this Committee. Mr. Demion Clinco recommended some changes and requested a more regular schedule of reports coming to this Committee, culminating in an annual Study Session to review the audits from the previous year and to discuss the progress with a representative from each reviewed unit.

Mr. Manzanedo recommended a one-page snapshot with the key components. Related to the Risk Levels Definitions and Examples, Chair Nuckolls asked if there was a way to distinguish risk between legal and regulatory issues, as they may not all be "High" risk. Mr. Silvyn provided some examples of inherent risks that can be differentiated as high, medium, and low risk. Mr. Manzanedo described the challenge of inherent risk, and attempts to mitigate and monitor these risks will help with the differentiation. Mr. Clinco, Mr. Scott Odom, and Ms. Marie Nemerguth provided additional suggestions.

Dr. Bea asked if this Committee was interested in a more formal report to the Board, summarizing its work. Mr. Clinco is concerned about creating extra work, and it may be more helpful to the Board to have an indicator on the audit reports that this Committee reviewed the report first. Ms. Maria Garcia agreed with Mr. Clinco's suggestion; a first review by this Committee will provide documentation of audit concerns and allow her to be responsive to her constituents.

A small group met to discuss the contents of the January 27, 2020 Study Session on Internal Audit. Mr. Silvyn gave an overview of the audits of the College, which occur through a variety of internal departments and external entities; this will be described to the Board. The dashboard and the other tools will be presented, followed by a conversation with the Board about communication and timely updates. Mr. Clinco would also like a compilation of the audit reports from the last year and have a representative from the operational owner present to address questions from the Board. Chair Nuckolls will also attend.

### **5. Student Payment Demonstration (Cecily Westphal)**

Dr. Bea introduced Cecily Westphal, Director of Accounts Receivable Services, to show improved mechanisms for student payments. Ms. Westphal displayed and described the student view, as well as some of the new features that have been added. She also described the customer service

provided by her staff, such as helping students set up Automatic Clearing House (ACH) payments rather than using a debit card and incurring a service fee. The number of ACH transactions is more than three times greater (based on the previous fiscal year), while the number of cards is down by about half. The College covers the costs associated with ACH transactions.

The College will be implementing a similar system for third-party billing, minimizing the paper and manual work that is currently utilized while creating partnerships with Workforce and Business Development. This allows for scalability and does not create additional workload for her staff.

Mr. Clinco asked about the long-term outlook for the Accounts Receivable Services department, as more and more people are moving their transactions online. Ms. Westphal stated that face-to-face services will change, and her staff will be able to provide better service as they will be high-skill and provide assistance through chatbots. Mr. Soza mentioned the Enrollment Center concept; is there a need for a physical presence at all locations, or can physical staff be centralized while virtual services are provided? Mr. Manzanedo inquired about the storage of credit card information; the TouchNet and PayPath systems store the credit card information off-site and are compliant with the Payment Card Industry (PCI) Data Security Standard.

#### **6. Notice of Transaction Review (Daniel Soza)**

Mr. Daniel Soza introduced the Notice of Transaction Review, which was approved through the Deputies Group. The Notice will provide multiple opportunities for follow-up, training, and process review. Mr. Jesus Manzanedo recommended removing the element in the process to send a copy of the Notice to Internal Audit, as it may appear to be punitive. Mr. Soza will remove it.

#### **7. CFO Update (David Bea)**

Dr. Bea gave an update on the revenue bonds and the expenditures to date. The College held a groundbreaking for the Automotive Technology and Innovation Center at the Downtown Campus.

The fiscal year 2019 Comprehensive Annual Financial Report will be released next Wednesday, and Dr. Bea provided a summary of the Single Audit and Report on Internal Controls and Compliance. The Auditor General will join the next meeting of this Committee.

Dr. Bea continued with an update on the budget, as the Study Session on the budget forecast occurred this past Monday. The conversation focused on the pending reduction in Expenditure Limitation (EL); the College has some vacant positions to close and is reviewing revolving debt strategies to free up EL capacity. The Board also discussed utilizing carry-forward next year to meet priorities. Tuition is an ongoing conversation, and the College is looking at Open Educational Resources and reduced textbook options to help reduce the cost of attendance for students.

On the legislative side, the Arizona Community Colleges (AZCCs) are pushing for additional CTE weighting in the EL formula. The cities and counties are exploring the notion of pension-based relief, as Maricopa County has already raised the issue. The College does not determine rates for the Arizona State Retirement System and the Public Safety Personnel Retirement System, and this

exclusion could provide \$8-10M in EL relief. Finally, the State Treasurer visited the College, and they have developed an endowment investment mechanism; currently, the College is precluded from investing in equities per state statute.

Fall enrollment is down slightly, and Mr. Vatne inquired about the other AZCCs, which are also facing declining enrollment. He asked about the penalty for not meeting the EL and Dr. Bea explained this would impact state aid, which is not an issue for PCC but is for eight of the ten colleges. Polling through taxpayers will be upcoming, related to support for General Obligation bonds or an EL Override to reset the base. Ms. Nemerguth suggested looking at the materials used by Oro Valley, who successfully completed an override.

Chair Nuckolls concluded the meeting by expressing his gratitude to Ms. Nemerguth, who will be stepping down from this Committee. He presented her with a gift on behalf of her service to this Committee and the College.

### Information Items

#### 8. Future Agenda Items

- a. Financial Aid Update
- b. Competency-Based Education
- c. BP 4.07, Cash Reserves (March)
- d. Marketing
- e. Enrollment Management
- f. Program Viability, Use of Space, and Revenue Bonds
- g. FY19 Audit
- h. Investment in Equities

### Adjournment

The meeting concluded at 10:49am.

Next Meeting:

February 14, 2020

District Office, D225