



**Governing Board's Finance and Audit Committee
Meeting Notice and Agenda*
Friday, December 11, 2020
9:00am
Virtual Meeting#**

General Matters

- | | | |
|------------------|----------------|--------|
| 1. Call to Order | Tracy Nuckolls | 9:00am |
|------------------|----------------|--------|

Action Items

- | | | |
|--|----------------|--------|
| 2. Approval of Minutes from October 23, 2020 | Tracy Nuckolls | 9:03am |
| 3. Revisions to Committee Charter | Tracy Nuckolls | 9:05am |
| 4. Nomination of Chair-Elect | Tracy Nuckolls | 9:10am |

Reports and Feedback

- | | | |
|--|------------------------------|---------|
| 5. Investment Update | John Utter | 9:15am |
| 6. Chancellor Update | Lee Lambert | 9:45am |
| 7. Internal Audit Update | Jose Saldamando, Jeff Silvyn | 10:15am |
| a. Center for International Education and Global Engagement (CIEGE) Final Audit Report | | |
| b. December 2020 Quarterly Report | | |
| 8. CFO Update | David Bea | 10:35am |
| a. Revenue Bonds | | |
| b. Election Update | | |
| c. Financial Update and FY 2022 Budget Plans | | |
| d. Policy Revisions | | |
| i. BP 4.01 - Financial Controls & Institutional Budget | | |
| ii. BP 4.07 - Financial Stability | | |

Effectiveness Discussion

Information Items

9. Future Agenda Items
 - a. Office of the Auditor General (February)
 - b. Internal Audit (February)
 - c. Enterprise Risk Management (February)
 - d. FY20 Comprehensive Annual Financial Report Presentation (February)
 - e. Marketing
 - f. Enrollment Management

Adjournment

Next Meeting

February 19, 2021

Zoom Webinar

***Option to recess into executive session** – Pursuant to A.R.S. 38-431.03(A)(2) the Committee may vote to go into executive session for discussion or consideration of records exempt by law from public inspection, including the receipt and discussion of information or testimony that is specifically required to be maintained as confidential by state or federal law.

****Additional Information** – Additional information about the above agenda items is available for review on the College's [website](#).

****The Committee reserves the right to change the order of agenda items.**

****To request a reasonable accommodation for individuals with disabilities, a minimum of five (5) business days before the event is requested. Contact Phone: (520) 206-4539 Fax: (520) 206-4567.**

Members of the Committee may participate by telephone, video, or internet conferencing.

#VIRTUAL MEETING

Following the guidance of public health officials, the College has closed its facilities to the public and allows only restricted access for essential personnel to promote social distancing and limit the spread of the coronavirus. Accordingly, the Finance and Audit Committee will conduct this meeting through remote technology only. Members of the public interested in following the proceedings may do so via Zoom webinar.

Please click the link below to join the webinar:

<https://pima.zoom.us/s/97195700104>

Or join by phone:

Dial(for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 646 558 8656 or +1 301 715 8592 or
+1 312 626 6799

Webinar ID: 971 9570 0104

International numbers available: <https://pima.zoom.us/j/ab2YYb6mPj>



Governing Board's Finance and Audit Committee

Friday, October 23, 2020

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Ken Marcus, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia

Unable to Attend:

Jesus Manzanedo, Scott Odom, Clarence Vatne

Guests:

Police Commander Michelle Nieuwenhuis; Vice Chancellor Bruce Moses; Vice President Ian Roark

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:10am, noting a quorum was met.

Action Items

2. Approval of Minutes from August 21, 2020

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. 202010-01: Approve Minutes from August 23, 2020

First: Ken Marcus

Second: Ben Tuchi

Vote: Motion passed unanimously (Nuckolls, Clinco, Marcus, Tuchi, Garcia voting in favor)

Motion Carried.

3. Public Safety Personnel Retirement System Funding Policy (David Bea, Michelle Nieuwenhuis)

College Police employees participate in the Public Safety Personnel Retirement System (PSPRS), which serves as their pension plan. PSPRS has changed requirements for participating entities, requiring an acknowledgement of any unfunded pension liability and publication to the entity's website of the strategy to fund the liability.

Employee benefits are a component of the annual budget development cycle, and a group of College staff will annually meet to discuss the PSPRS funding strategy in preparation for presentation to the Governing Board. This group, consisting of the CFO and employees from College

Police, Finance and Business Services, Human Resources, and the Employee Service Center, met and developed a recommendation. Dr. Bea had a second meeting on the topic with Chair Nuckolls and Mr. Ben Tuchi, who concurred with a funding level of 75% by fiscal year 2026 as the recommended course of action. This recommendation will require an annual allocation of about \$1.3M to the College's liability for PSPRS. The 75% target is on par with funding levels for the Arizona State Retirement System.

This is an achievable strategy should Proposition 481 pass or fail. If Prop 481 passes, the College can operationalize the allocation and fold it into the budget starting in fiscal year 2022; If Prop 481 fails, the College can issue debt to fund the liability and move the expense off the expenditure limitation.

Ms. Maria Garcia inquired about the distribution of funds after retirement, and the amount paid into the system prior to retirement. Police Commander Michelle Nieuwenhuis described the different tiers. Mr. Tuchi spoke to the national trends for retirement systems, noting the liability of local municipalities; he commended the College on its action towards addressing this issue. Mr. Ken Marcus asked about the debt approach since this will be exchanging one liability for another. Dr. Bea described the challenge of Expenditure Limitation - the College has the taxpayer-based revenues but is restricted in their expenditure, and pension liabilities are counted towards the expenditure limit. Any discussion of issuance of debt would come back through this Committee for review.

Mr. Nuckolls asked if there was a recommendation to approve the funding strategy, and a motion was made:

Motion No. 202010-02: PSPRS Pension Funding Strategy

First: Ben Tuchi

Second: Maria Garcia

Vote: Motion passed unanimously (Nuckolls, Clinco, Marcus, Tuchi, Garcia voting in favor)

Motion Carried.

Reports and Feedback

4. Updated from Educational Services and Institutional Integrity (Bruce Moses)

Dr. Bruce Moses described the structure of the Educational Services and Institutional Integrity department, which includes the new Enterprise Risk Management and Compliance function. He continued with a description of the active recruitment for the Director of Enterprise Risk Management (ERM) and the vetting process that will be utilized to ensure candidates fit with the College and the philosophy of the ERM unit.

Chair Nuckolls inquired about the staffing allocated to the department, as the scope is large. Dr. Moses stated that three additional positions have been allocated at this time, and Dr. Bea anticipates that resources will be evaluated as the structure formalizes and matures. Ms. Garcia

inquired about the backgrounds of the candidates, and Chair Nuckolls asked Dr. Moses to return to the Committee once a candidate is hired.

5. Workforce Update (Ian Roark)

Dr. Ian Roark joined to discuss the work of his department in facilitating public/private partnerships and prior learning assessment. Workforce supports the mission and vision of the College and the relevance of the institution through grants, donations, contracts, and entrepreneurial and commercial activities. Partnerships have modernized and streamlined curriculum in alignment with industry standards, and Dr. Roark discussed the benefits to the economy and the workforce. He continued with an overview of Prior Learning Assessment (PLA), describing the percentage of College curriculum that is eligible and the benefit to the workforce.

Mr. Demion Clinco asked about the trends for community colleges moving forward, and if the pandemic has accelerated the need for partnerships. Dr. Roark described apprenticeships, which have ramped up recently, and how public policy will drive the market. Mr. Clinco also asked Dr. Roark to describe the challenges with public/private partnerships. Dr. Roark described the internal checks and balances through Contract Services, General Counsel, and annual audit activities. The College is recognized on a statewide and a national scale for its partnerships. Working with local chambers aggregates the needs of small businesses and allows the College to efficiently develop programming.

Mr. Tuchi asked if active employer partnerships are tied to enrollment or employment. In the future, employer engagement and outcomes will be tracked through Salesforce, a software platform that will allow the College to develop retention, persistence, and completion data. Dr. Roark noted that the State of Arizona's tracking of unemployment is different from many other states, and the College is looking to bridge the gap. Dr. Roark will bring data back to this Committee once available.

Chair Nuckolls thanked Dr. Roark for the comprehensive report. If the College does not provide these services, the for-profit world will figure out a method. As a follow-up to Mr. Tuchi's question, Chair Nuckolls asked how the data will be measured because the education period is not on a traditional semester or annual term. Dr. Roark spoke to the improvement of the Advisory Committees model, and there is now continuous communication between these committees and the Deans and program staff and faculty. As the scale increases, Workforce will grow the departments and shift the innovation to the academic department. The partnerships will be measured through these committees, collecting data on employers and wages as students are hired. This is a placeholder mechanism until the statewide data is available.

6. CFO Update (David Bea)

Dr. Bea began with an update on the revenue bonds projects, as well as the Aviation Technology Center Expansion project.

He continued with the Fall 2020 Budget Update, which was presented to the Governing Board earlier this month. There is still great uncertainty, and the College's Fall full time student

equivalents are close to the projected 15% decline. Dr. Bea provided an update on the Fall tuition rebate and free Student Success Course programs, previously discussed with this Committee. Expenditures have increased due to the costs related to COVID-19, including additional insurance coverage and test proctoring services. Sales tax has not dropped at the rates previously predicted, and the State has not initiated any special sessions to reduce the budget.

Mr. Clinco asked about the challenges with Expenditure Limitation (EL) and the potential effect on position reductions. Prop 207, if passed, will also generate revenue to the College that would be outside of Expenditure Limitation. Dr. Bea stated that vacancies are being used as a contingency, a strategy used in the past by the College to reduce expenditures. Program viability will also be important.

Mr. Clinco pointed out that Prop 481 is a function of the higher costs for offering Career & Technical Education programs, which require more funds to offer than other types of courses. Dr. Bea noted that the College is still working with the legislature to look for immediate EL relief and to increase the weighting for CTE courses in the FTSE calculation utilized for calculating the Expenditure Limit.

The budget development calendar and the final report on the use of FY20 Enrollment Revitalization Funds were provided as information items.

Information Items

7. Future Agenda Items

- a. Chancellor Update (December)
- b. Internal Audit (December)
- c. Election Update (December)
- d. Enterprise Risk Management (February)
- e. Marketing
- f. Enrollment Management

Adjournment

The meeting concluded at 10:57am.

Next Meeting:

December 11, 2020

Virtual Meeting - Zoom Webinar



Governing Board's Finance and Audit Committee Charter

Purpose

The purpose of the Finance and Audit Committee ("the Committee") is to assist the Pima County Community College District (PCCCD) Governing Board's oversight and monitoring responsibilities of financial, audit, and investment related performance, policies, and procedures, including:

- The College's financial condition, annual budget performance; and capital investment;
- The reliability, integrity, and transparency of financial information reporting and disclosure;
- The ongoing monitoring of processes to ensure the adequacy of the system of internal controls and their functioning;
- The independence and performance of internal and external auditors;
- The compliance program and internal audit program;
- The investment function and its policies, procedures, and performance; and
- Identification and control of key risks and related policies, processes, and ongoing monitoring efforts.

Composition

The Committee will consist of no fewer than seven but no greater than ten members, independent of the staff of the College and free of any relationships that would interfere with their abilities to exercise independent judgment as Committee members. The chief financial officer of the College will serve on the committee *ex officio* and will be responsible for providing staff support to the Committee.

The composition of Committee members shall be as follows:

- PCCCD Governing Board Members (2)
- Community Representatives (5-8)
- Chief financial officer (*ex officio*, non-voting)

The two PCCCD Governing Board Members shall be appointed by a vote by the Governing Board.

The community representatives shall be professionally knowledgeable about finance, accounting, auditing, and/or investments and will be recommended by the Committee and appointed by the PCCCD Governing Board.

All members of the Committee shall be familiar with the basics of PCCCD finance and accounting practices, understand PCCCD's business, and generally understand internal control and risk management frameworks. To obtain this familiarity and understanding, Committee members will be provided training conducted by PCCCD.

The Committee shall elect a chair and chair-elect, which will be community representatives. One of the College's Governing Board members will serve on the Committee as the co-chair. To the extent possible, the co-chair will be a member of the Board who has previously served on the Committee. Length of service will be expected to be at least one full fiscal year and will be a maximum of two three-year terms, with each year being a fiscal year. In the event a committee member begins service part way through a fiscal year, the remaining portion of that fiscal year shall not count towards the term limit, but rather the first complete fiscal year served will count towards the term limit. Due to

the nature of some of the information that Committee members will work with, Committee members will be required to sign a confidentiality statement.

Meetings

The Committee will meet no fewer than four times per year and more often as needed. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved at a subsequent Committee meeting.

The Committee may hold executive sessions when deemed necessary (e.g. to discuss matters with external auditors, internal auditors, and/or general counsel). Executive sessions allow for the discussion of any matters believed better discussed without members of management present. Such matters might include complaints, ethics violations, fraud, or legal and regulatory inquiries.

State of Arizona open meeting statutes A.R.S. §§ 38-431 to 431.09 will be applicable.

Responsibilities

The College's chief financial officer, the director for internal audit, the Chancellor, and other College employees are responsible for, among other things: determining that the College's financial statements are complete, accurate, and prepared in accordance with generally accepted accounting principles; planning or conducting audits; developing budgets; and managing the financial operations of the College. These employees are also responsible for the preparation, presentation, and integrity of the College's financial statements and for the appropriateness of the accounting principles and reporting policies used by the College. Independent external auditors are responsible for auditing the College's financial statements and other aspects of the College's business.

The responsibilities of the Finance and Audit Committee are to assist the Governing Board and College administration by monitoring:

I. Financial Reporting

1. Review with College staff, the external auditors, and the director of internal audit, financial statements, reports, and other financial information related to College business.
2. Review with College staff, the external auditor, and the director of internal audit, recent or proposed professional and regulatory pronouncements, including, when applicable, those having a material impact on the financial statements.
3. Annually, review with College staff, the external auditors, and the director of internal audit, the external auditor's proposed audit scope and approach for the upcoming annual audits, including coordination of efforts with internal audit.
4. Annually, review with College staff, the external auditor, and the director of internal audit, the annual audited financial statements, and related documents.
5. Annually, review with finance personnel, College staff, the external auditor, and the director of internal audit, the external auditors' report on Internal Control over Financial Reporting and Compliance, and the results of tests of compliance with certain provisions of laws, regulations, contracts, and grants.

II. Investments

1. Review investment policies including investment goals, asset allocation, distribution policies, and performance benchmarks, adjusting as market changes dictate.

2. Review investment costs, including cost of internal management, fees to outside managers, and custodial, reporting, and brokerage fees.
3. Review performance of investments compared to relevant benchmarks or indices.
4. Provide recommendations for improvements as determined.

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III. Risk, Internal Control, and Governance

1. At least annually, review with College staff, the external auditor, the director of internal audit, and other involved parties, major risks and exposures, including physical and information technology security, and the steps taken to monitor and control such risk and exposures.

IV. Internal Audit Function

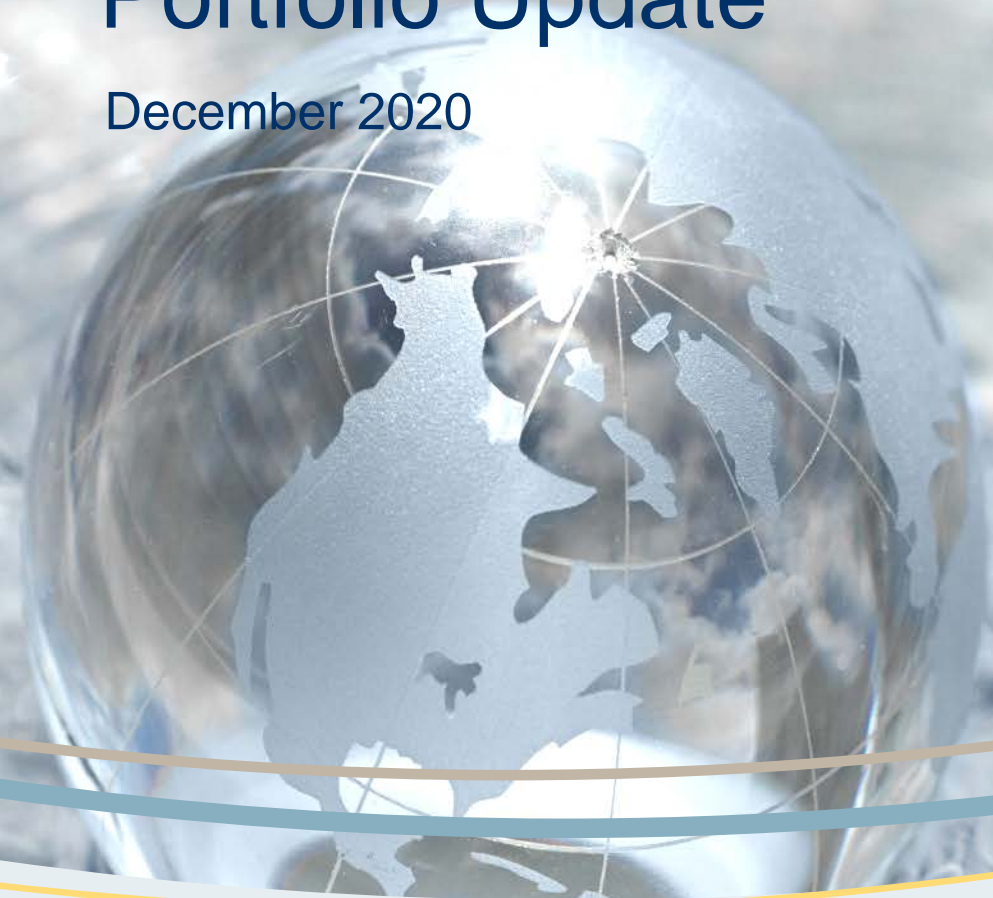
1. Review with College staff and the director of internal audit completed internal audits and audits in progress.
2. Review with College staff and the director of internal audit the status of any outstanding internal audit recommendations and action plans, including any follow-up activity that was performed.
3. Annually, with College staff and the director of internal audit, review internal audit's risk-based annual audit plan and provide recommendations to the Governing Board.
4. Annually, review with College staff and the director of internal audit the adequacy of the internal audit charter, objectives, budget, and staffing, including the adequacy of its organizational reporting structure, to ensure it supports an independent internal audit function.
5. Annually, review with College staff and the director of internal audit the compliance of internal audit with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

V. Audit Committee Management, Reporting, and Other Responsibilities

1. Provide an open avenue of communication between the Finance and Audit Committee and external auditors, the director of internal audit, finance personnel, College staff, and the Governing Board.
2. Review any substantive issues that arise with respect to the quality or integrity of the financial statements and information, risk management processes, systems of internal control, governance processes, compliance with legal or regulatory requirements, and the performance and independence of external auditors or internal auditors.
3. Review related findings and recommendations of the external and internal auditors together with management responses.
4. The Committee may request the Governing Board investigate matters brought to its attention.
5. Periodically review and update this Charter.
6. Annually provide a report to the Governing Board describing the Committee's composition, meeting minutes, responsibilities, and how they were discharged.
7. Review such other financial-related matters as may be requested by the Governing Board from time to time.

Pima County Community College Portfolio Update

December 2020



John Utter
Head of U.S. Institutional Client Service



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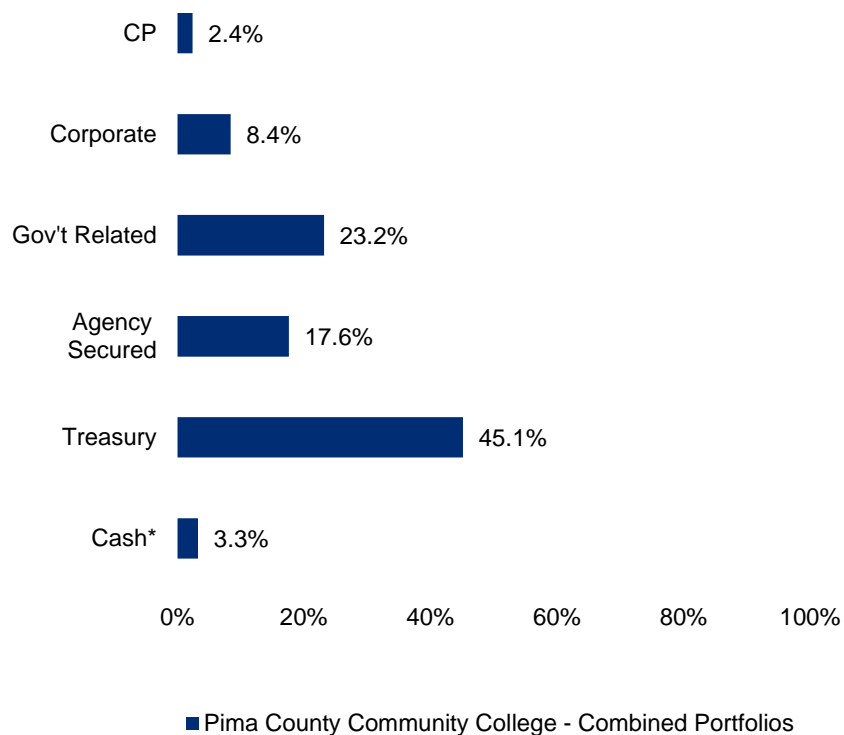
- I. 1-3 Year Portfolio Review
- II. Ultra Short Portfolio Review
- III. 2019 Revenue Bond Portfolio Review
- IV. Economic and Market Commentary
- V. Appendix
 - i. Fixed Income Investment Team
 - ii. Investment Policy Statement Arizona Revised Statutes

Summary of Combined Portfolio Characteristics

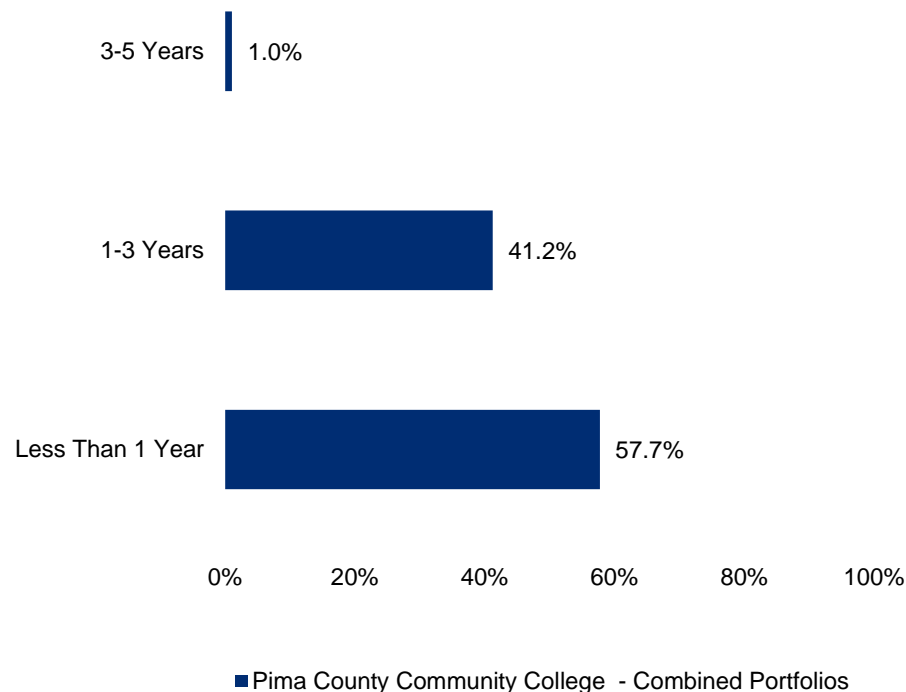
Pima County Community College

The Pima County Community College combined investment assets with RBC GAM includes two RBC managed short term portfolios (\$113.2 million) and a bond proceeds portfolio (\$51.3 million).

Sector Distribution



Duration Distribution



*Cash assets do not include AZ LGIP and Bank Deposits held outside of portfolios managed by RBC GAM

As of 10.31.20
Source: RBC GAM,



Pima County Community College District - 1-3 Year Portfolio

Portfolio Performance

Pima County Community College – 1-3 Year Portfolio

10.31.2020 Market Value: \$97,455,884	YTD	3Q 2020	2Q 2020	1Q 2020	4Q 2019	1 Year	3 Year	5 Year	7 Year	Since Inception (7.1.12)
Total Portfolio (Gross of Fees)	2.88	0.21	0.90	1.72	0.49	3.05	2.79	2.05	1.74	1.56
Total Portfolio (Net of Fees)	2.82	0.19	0.88	1.71	0.47	2.98	2.72	1.98	1.67	1.49
Principal Return	1.03	-0.29	0.31	1.14	-0.06	0.84	0.68	0.17	0.00	-0.18
Income Return	1.84	0.50	0.58	0.58	0.55	2.20	2.10	1.88	1.74	1.74
ICE BofAML 1-3 Year Tsy & Agy Index	2.99	0.11	0.14	2.78	0.51	3.18	2.64	1.82	1.51	1.36

As of 10.31.20

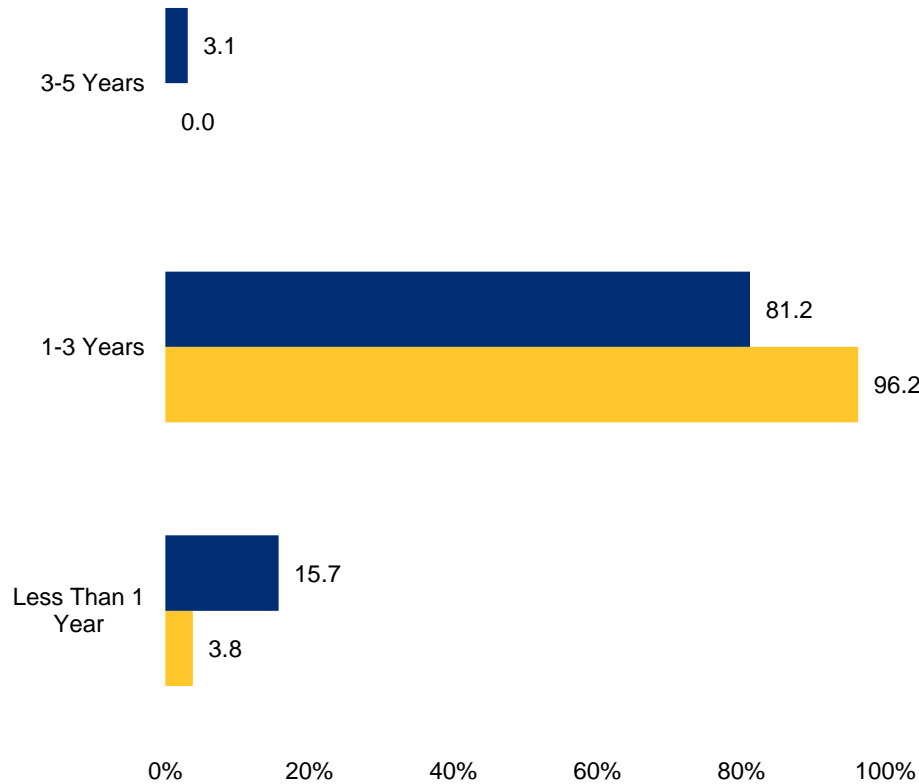
Source: RBC GAM, ICE Data Services

All returns for periods greater than one year are shown on an annualized basis. Past performance is not indicative of future results.

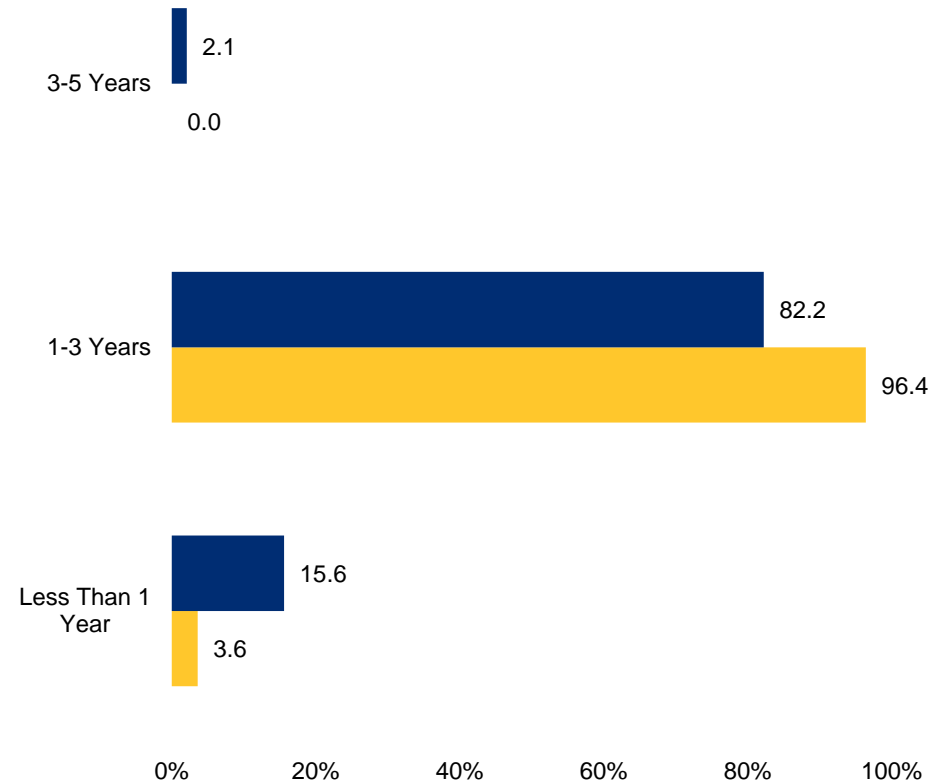
Portfolio Characteristics

Pima County Community College – 1-3 Year Portfolio

Duration Distribution as of 10.31.20



Duration Distribution as of 6.30.20



■ Pima County Community College - 1-3 Yr
 ■ ICE BofAML 1-3 Yr Tsy & Agy

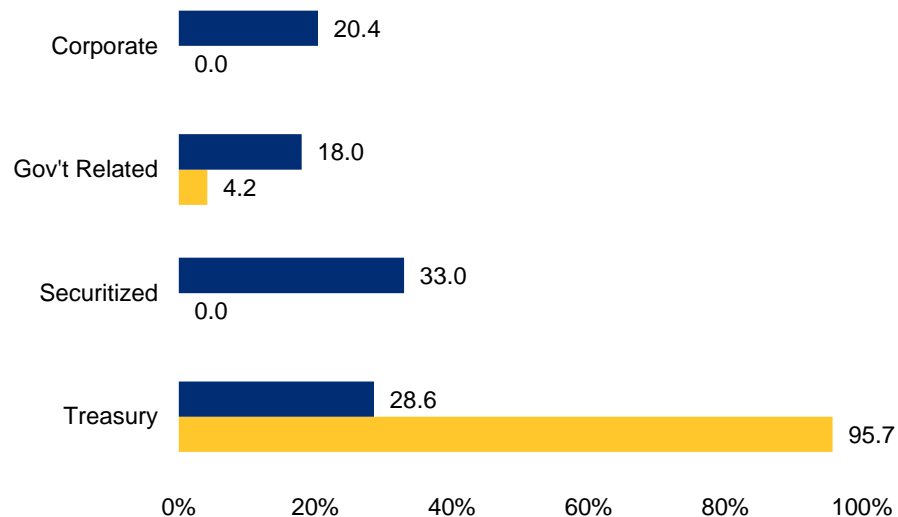
■ Pima County Community College - 1-3 Yr
 ■ ICE BofAML 1-3 Yr Tsy & Agy

As of 10.31.20
 Source: RBC GAM, ICE Data Services



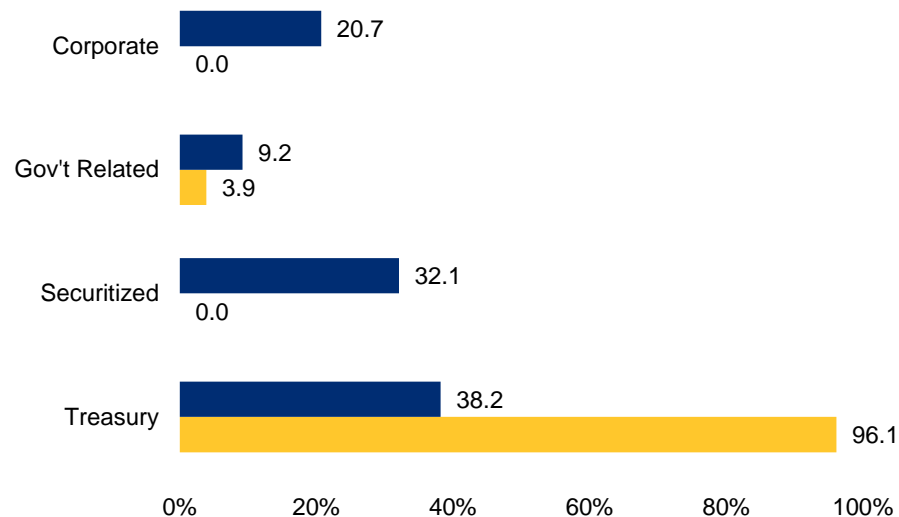
Pima County Community College – 1-3 Year Portfolio

Sector Distribution as of 10.31.20



■ Pima County Community College - 1-3 Yr
 ■ ICE BofAML 1-3 Yr Tsy & Agy

Sector Distribution as of 6.30.20



■ Pima County Community College - 1-3 Yr
 ■ ICE BofAML 1-3 Yr Tsy & Agy

Characteristics	Pima County Community College – 1-3 Yr as of 10.31.20	Pima County Community College – 1-3 Yr as of 6.30.20	ICE BofAML 1-3 Yr Tsy & Agy
Effective Duration	1.68 years	1.76 years	1.88 Years
Market Yield	0.50%	0.57%	0.17%
Book Yield	1.60%	1.80%	--
Average Quality	AA+	AA+	AAA

As of 10.31.20

Source: RBC GAM, ICE Data Services, Sector charts exclude cash & equivalents



Duration By Sector

Pima County Community College – 1-3 Year Portfolio

	Duration As of 6/30	% Assets As of 6/30	Contribution to Duration As of 6/30	Duration As of 10/31	% Assets As of 10/31	Contribution to Duration As of 10/31
Corporate	1.41 Years	20.75%	16.54%	1.21 Years	20.35%	14.71%
Agency	2.55 Years	9.16%	13.24%	2.42 Years	17.99%	25.97%
Agency Secured	1.72 Years	32.10%	31.32%	1.53 Years	33.03%	30.25%
Treasury	1.80 Years	38.24%	38.91%	1.70 Years	28.61%	29.08%
Total	1.76 years	100.00%	100.00%	1.68 years	100.00%	100.00%

As of 10.31.20

Source: RBC GAM, Contribution to Duration table excludes cash & equivalents



Pima County Community College District - Ultra Short Portfolio

Portfolio Performance

Pima County Community College – Ultra Short Portfolio

10.31.2020 Market Value: \$15,749,800	YTD	3Q 2020	2Q 2020	1Q 2020	4Q 2019	1 Year	3 Year	5 Year	7 year	Since Inception (5.1.12)
Total Portfolio (Gross of Fees)	1.63	0.19	0.42	0.97	0.54	1.88	2.25	1.60	1.19	1.02
Total Portfolio (Net of Fees)	1.57	0.17	0.40	0.96	0.52	1.81	2.18	1.53	1.12	0.95
Principal Return	-0.17	-0.31	-0.15	0.39	0.01	-0.28	0.75	0.39	0.56	-0.12
Income Return	1.80	0.50	0.56	0.58	0.53	2.16	1.49	1.21	1.14	1.13
Blended Benchmark*	1.82	0.09	0.02	1.72	0.56	2.07	2.27	1.56	1.12	0.94
ICE BofAML 91 Day T-Bill	0.65	0.04	0.02	0.58	0.46	0.92	1.66	1.20	0.87	0.73

* 1.1.2019-Current: ICE BofAML 0-2 Year US Treasury; 5.1.2012 thru 12.31.2018: ICE BofAML 3 Month T-Bill

As of 10.31.20

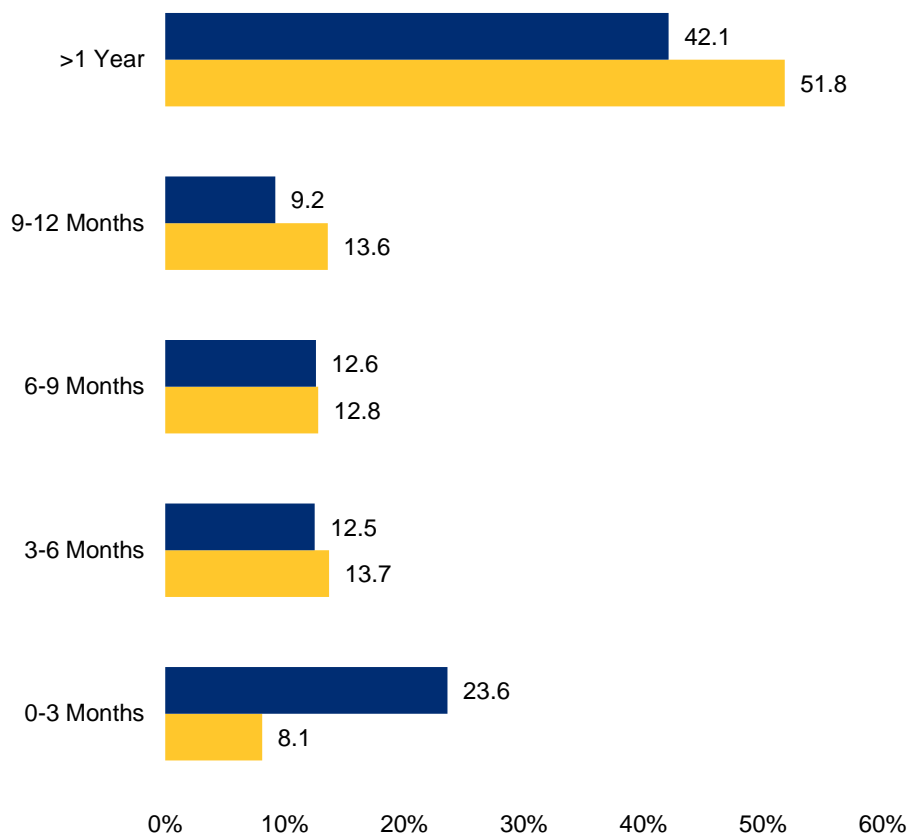
Source: RBC GAM, ICE Data Services

All returns for periods greater than one year are shown on an annualized basis. Past performance is not indicative of future results.



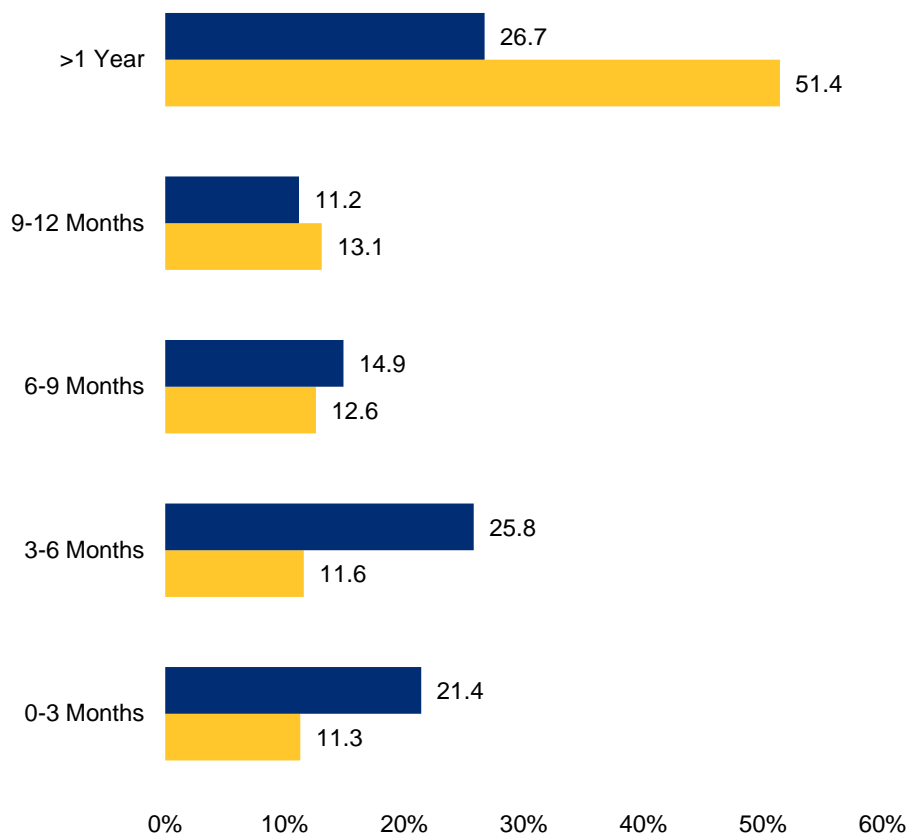
Pima County Community College – Ultra Short Portfolio

Duration Distribution as of 10.31.20



■ Pima County Community College - Ultra Short
 ■ ICE BofAML 0-2 Yr US Treasury

Duration Distribution 6.30.20



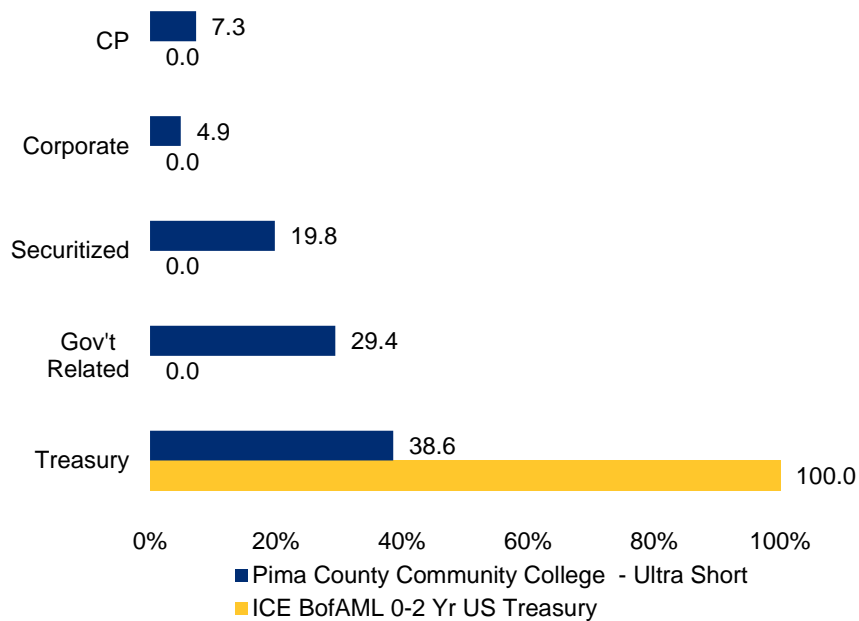
■ Pima County Community College - Ultra Short
 ■ ICE BofAML 0-2 Yr US Treasury

As of 10.31.20
 Source: RBC GAM, ICE Data Services

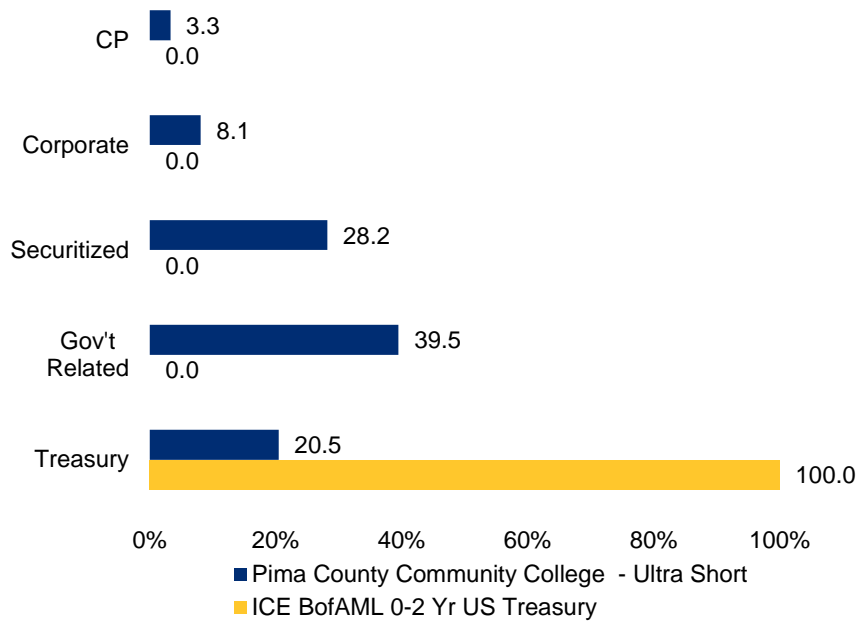


Pima County Community College – Ultra Short Portfolio

Sector Distribution as of 10.31.20



Sector Distribution as of 6.30.20



Characteristics	Pima County Community College – Ultra Short as of 10.31.20	Pima County Community College – Ultra Short as of 6.30.20	ICE BofAML 0-2 Yr US Treasury
Effective Duration	0.89 years	0.73 years	1.03 years
Market Yield	0.56%	0.74%	0.17%
Book Yield	1.36%	2.03%	--
Average Quality	AAA	AAA	AAA

As of 10.31.20

Source: RBC GAM, ICE Data Services, Sector charts exclude cash & equivalents

Duration By Sector

Pima County Community College – Ultra Short Portfolio

	Duration As of 6/30	% Assets As of 6/30	Contribution to Duration As of 6/30	Duration As of 10/31	% Assets As of 10/31	Contribution to Duration As of 10/31
Corporate	0.66 Years	8.13%	7.32%	0.76 Years	4.88%	4.16%
Gov't Related	0.50 Years	39.54%	27.01%	0.62 Years	29.45%	20.72%
Commercial Paper	0.16 Years	3.33%	0.73%	0.16 Years	7.27%	1.34%
Agency Secured	0.69 Years	28.17%	26.44%	0.57 Years	19.83%	12.66%
Treasury	1.37 Years	20.54%	38.51%	1.41 Years	38.55%	61.12%
Total	0.73 Years	100.00%	100.00%	0.89 Years	100.00%	100.00%

As of 10.31.20

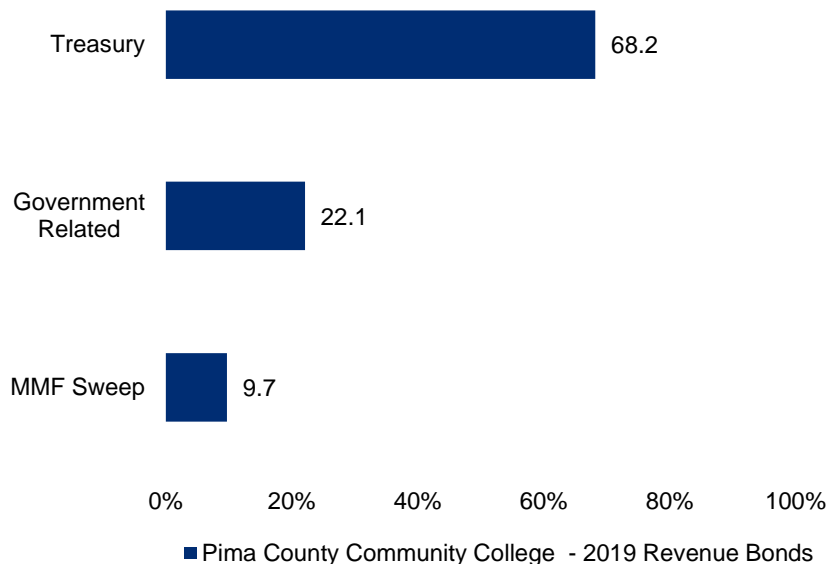
Source: RBC GAM, Contribution to Duration table excludes cash & equivalents



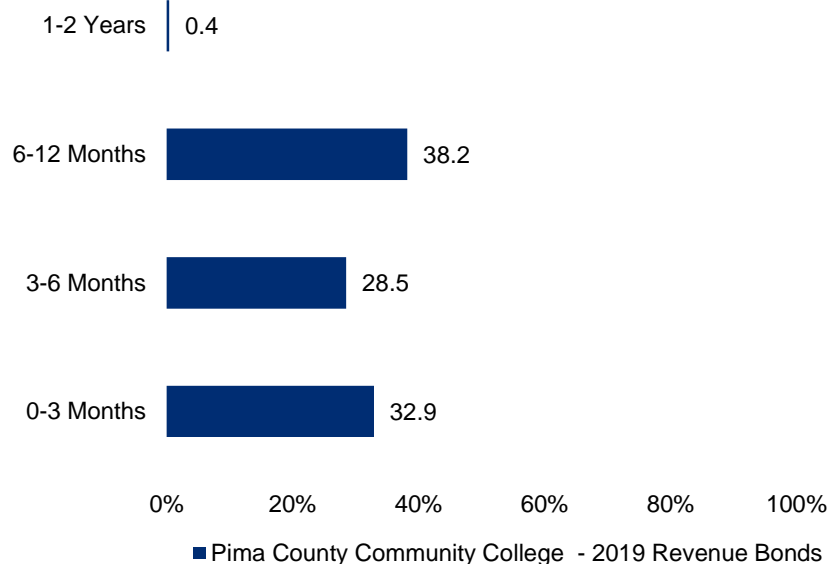
Pima County Community College District - 2019 Revenue Bonds

Pima County Community College – 2019 Revenue Bonds

Sector Distribution as of 10.31.20



Duration Distribution as of 10.31.20



Characteristics	Pima County Community College – 2019 Revenue Bonds
Effective Duration	0.41 years
Market Yield	0.14%
Book Yield	0.91%
Average Quality	AAA
Market Value	\$51,259,335

As of 10.31.20
Source: RBC GAM, ICE Data Services

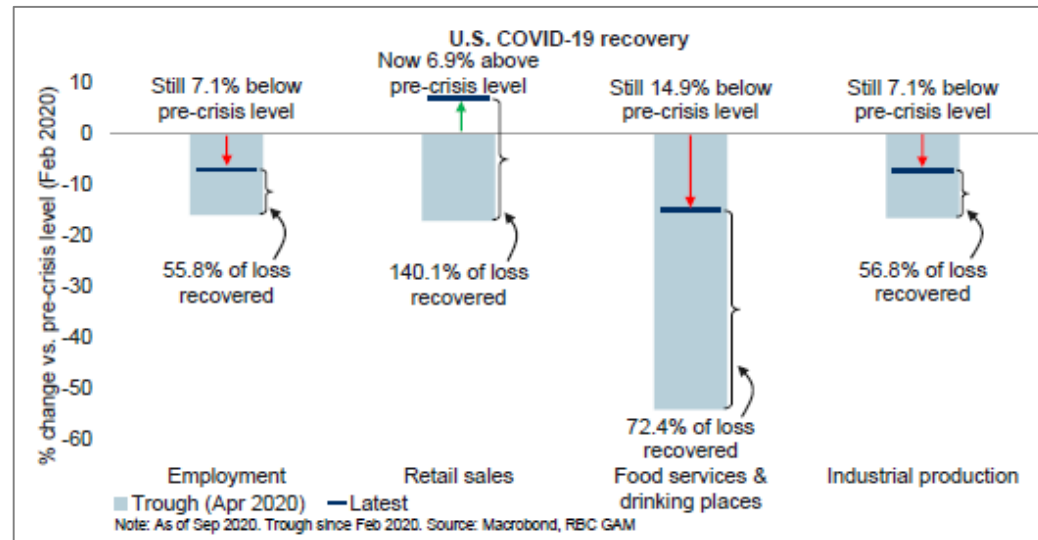


Economy & Market Review

Overview

Wide ranging economic impacts from COVID-19

- The global pandemic has triggered a deep global recession
- COVID-19 cases have been resurging into the holiday season
- Economic activity recovered somewhat over Summer, but pace of recovery slowing



- Monetary and fiscal stimulus has been instrumental in supporting economy, but makes recent positive economic data hard to judge
- Bond market has been helped by the Fed's actions to support liquidity

Aggressive Policy Responses

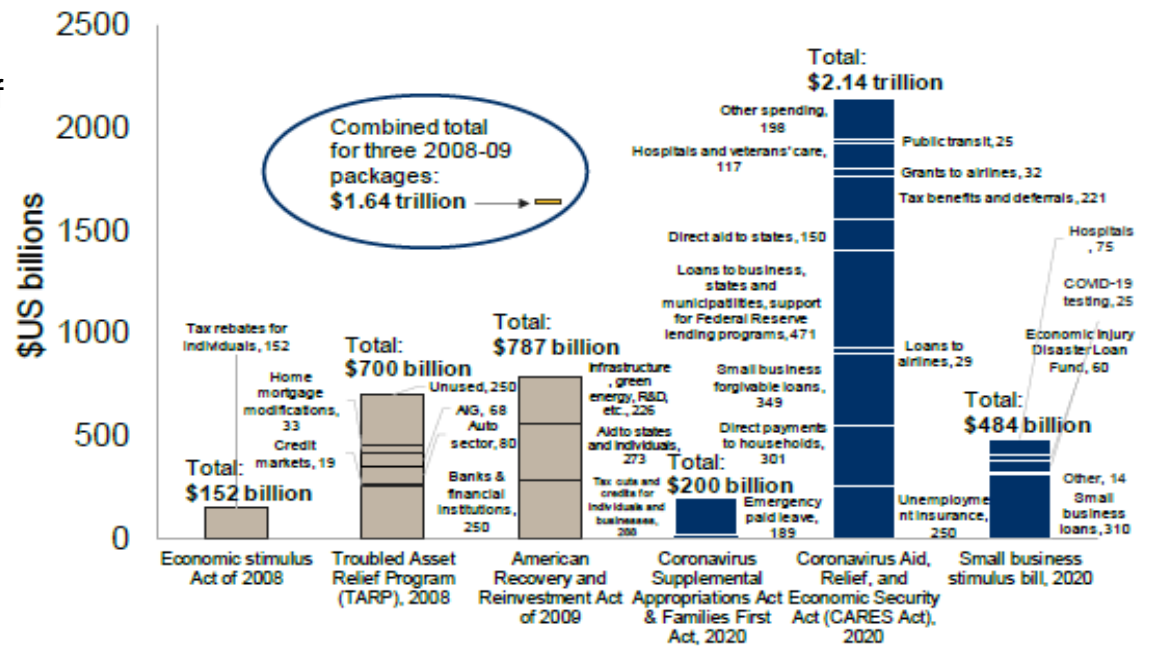
Fed Response

- The Fed took decisive action to support the functioning of financial markets and encourage lending
- Fed Funds cut to range of 0-0.25% – on hold for foreseeable future
- Introduced or expanded numerous Funding, Credit, Liquidity, Loan Facilities and QE

Fiscal Response

- Lawmakers passed four separate pieces of legislation, costing approximately \$2.4 trillion
- U.S. fiscal relief so far is nearly twice the amount piled in over the full financial crisis period of late 2008/early 2009
- Powell has warned more stimulus is needed to maintain the recovery and that Congress should act now and act big
- Stimulus negotiations have seemingly gained momentum following the election

U.S. fiscal stimulus comparison
Financial crisis versus COVID-19 crisis



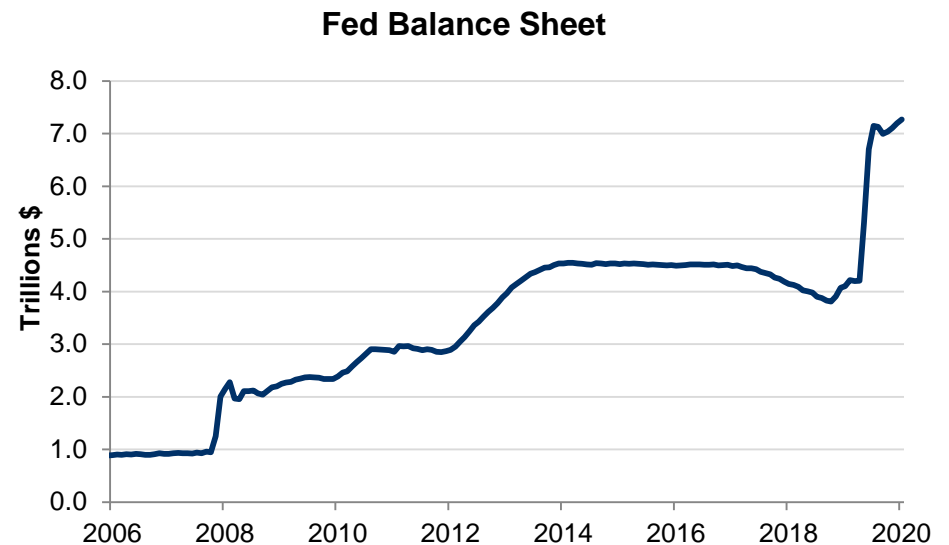
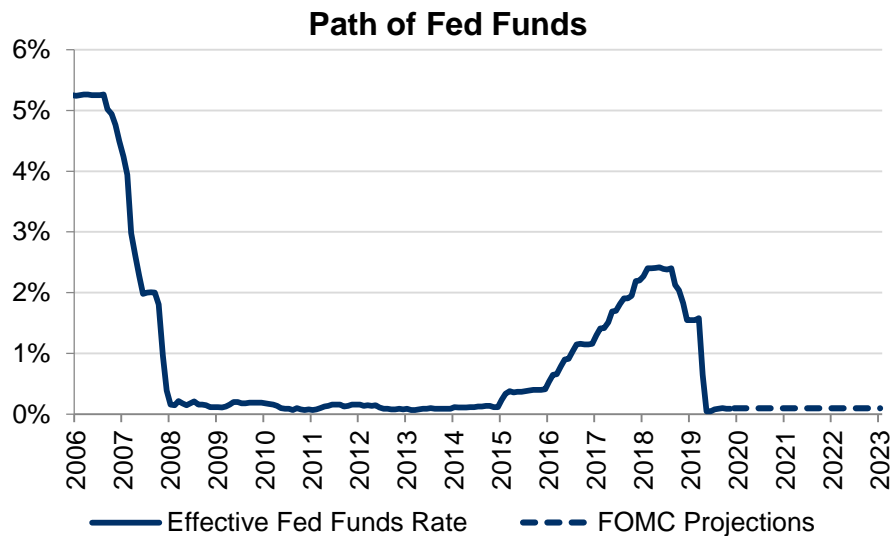
Note: As of May 29, 2020. Source: Wall Street Journal, RBC GAM



Federal Reserve – Balance Sheet Growth

The Fed has undertaken unlimited quantitative easing to support markets

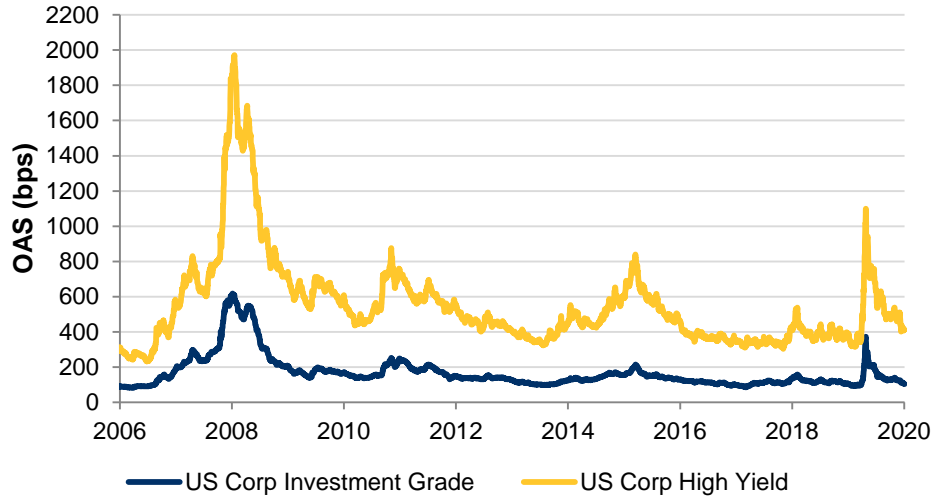
- Balance sheet assets have grown by \$2.9tn since February to over \$7tn
- Asset purchases expanded to include Agency CMBS and short-dated, high quality Corporates
- FOMC modify inflation targets to achieve an average of 2% over time
 - Inflation has persistently been below 2% during the past decade
 - New policy likely means that inflation will have to consistently be above 2% to justify any tightening
- Projecting to keep rates near 0% through 2023



As of 11.30.20
Source: Bloomberg, Federal Reserve

Financial Asset Recovery

US IG & HY Corporate Spreads



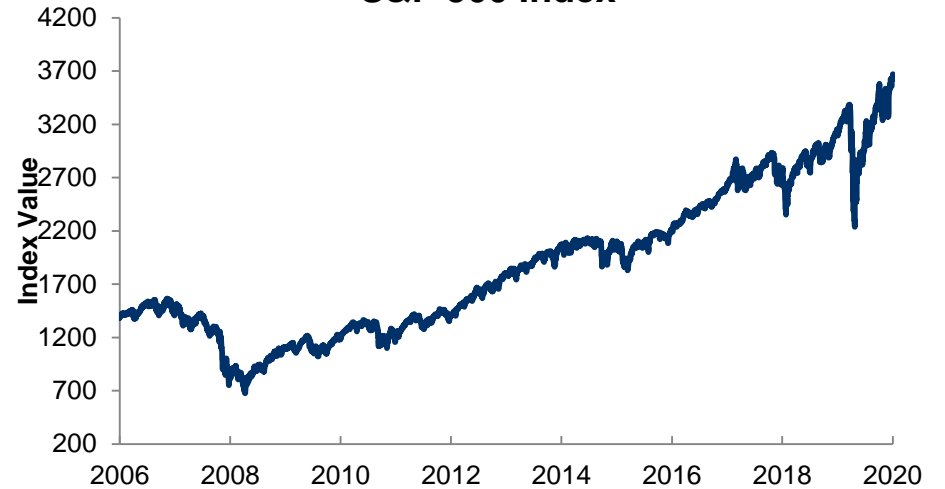
Oil Prices



10-year Forward Inflation Expectations Based on TIPS Breakevens



S&P 500 Index



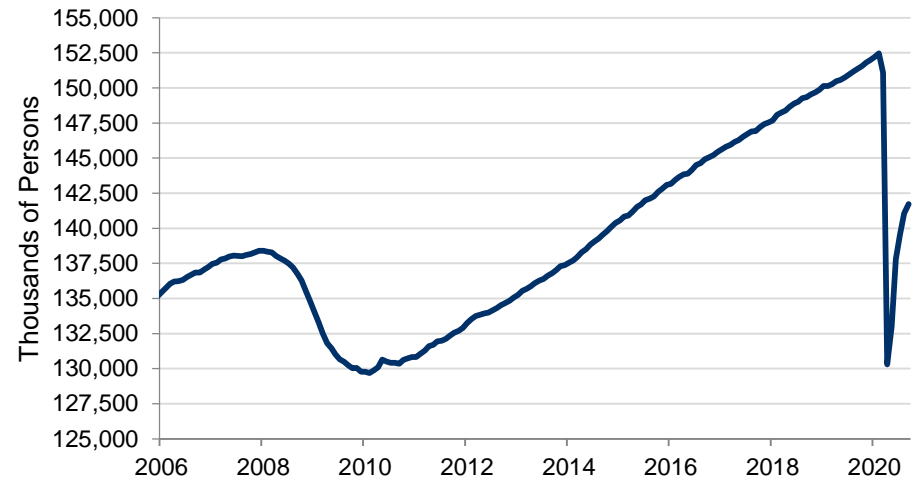
As of 11.30.20
Source: Bloomberg



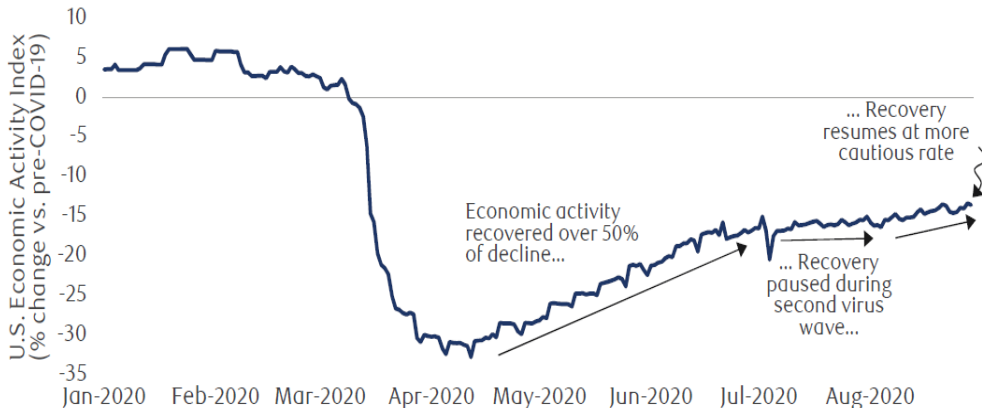
US Economy – Deep Recession

- Jobs added over Summer, bringing the official unemployment rate to 7.9%
- Business bankruptcies continue to be on the rise
- Economic data is mixed and recovery time is protracted
- Bottom line: Uncertainty remains high

Total Nonfarm Payrolls

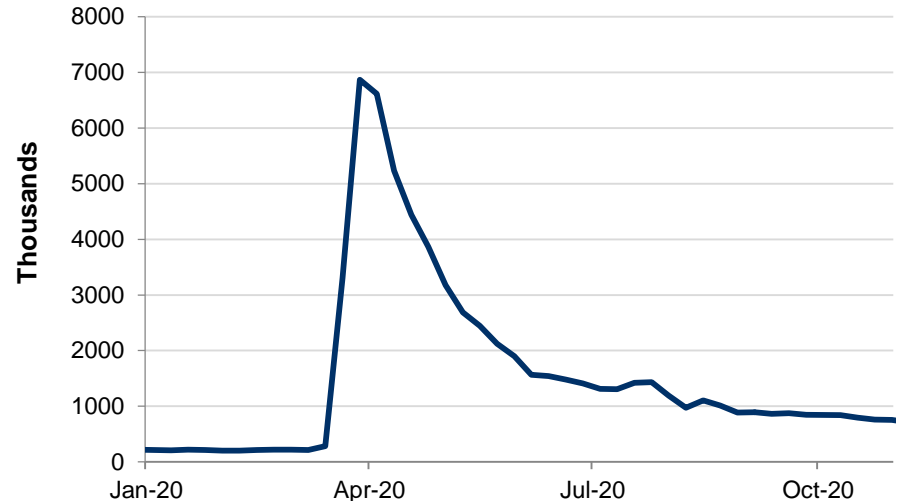


Economic Activity Index



Note: As of 08/29/2020. Economic Activity Index is the average of ten high-frequency economic data series measuring the year-over-year percentage change. Source: Bank of America, Goldman Sachs, OpenTable, Macrobond, RBC GAM

Initial Jobless Claims YTD

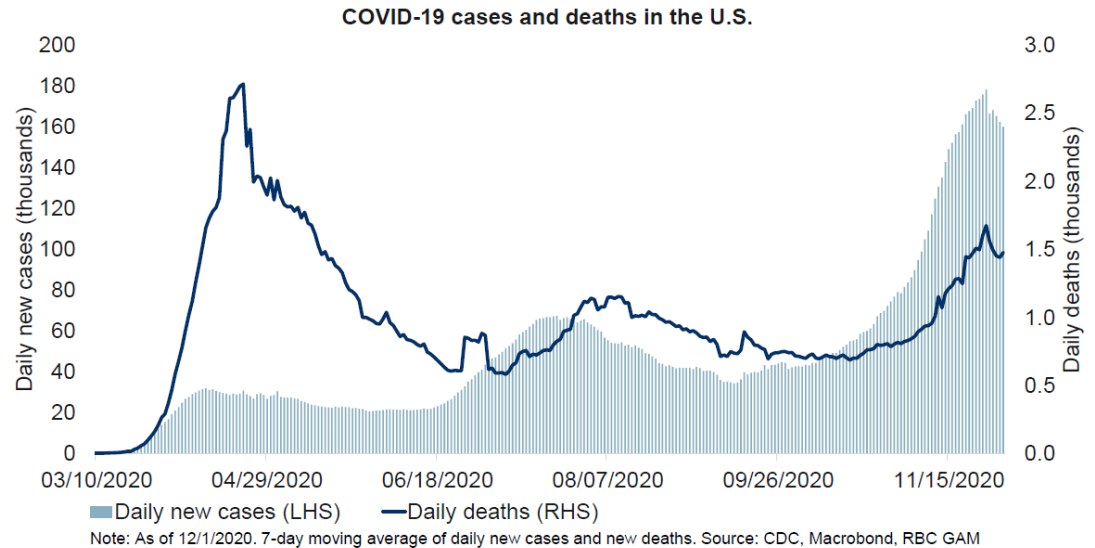
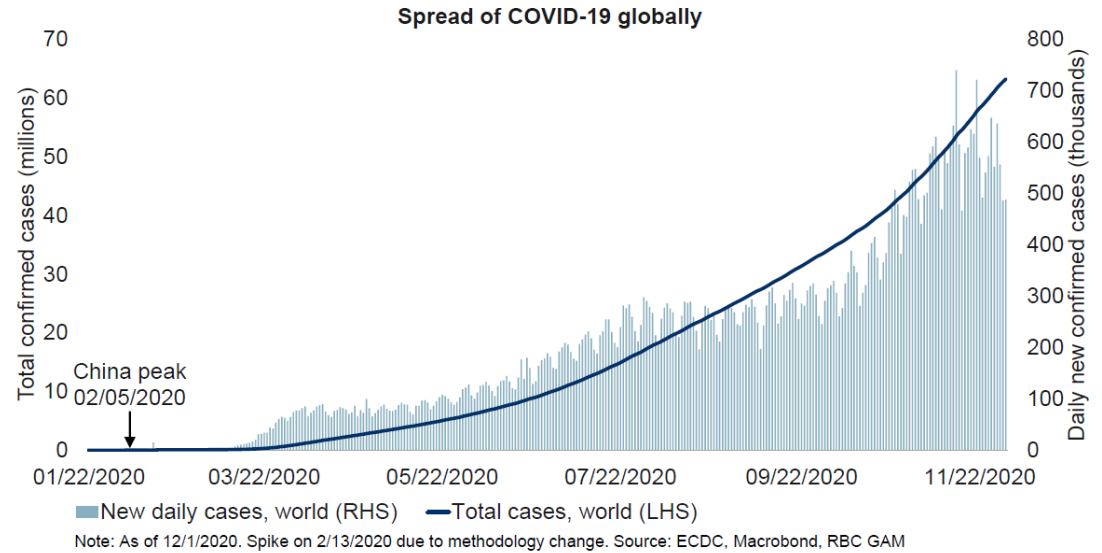


As of 11.30.20
Source: Bloomberg, FRED



COVID-19 far from contained

- Coronavirus cases once again surging worldwide
- US Cases on the rise following second wave over the summer
- Outbreak in the White House adds even more uncertainty to upcoming election
- Containment efforts threaten fragile economic recovery

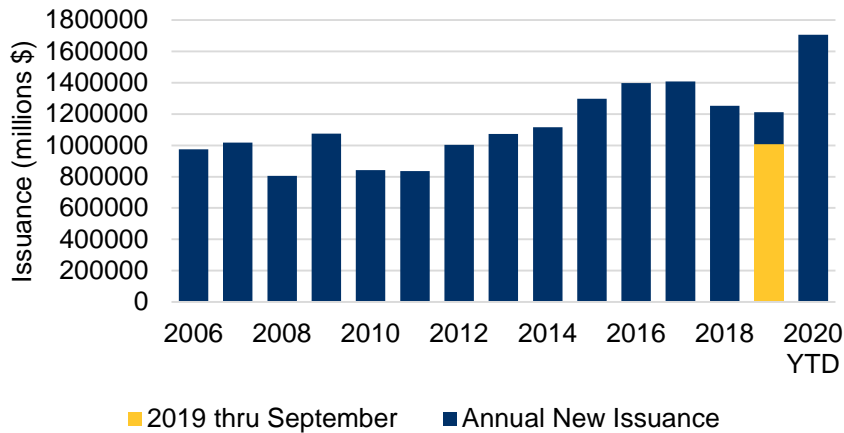


Expect Weakness in Credit Fundamentals

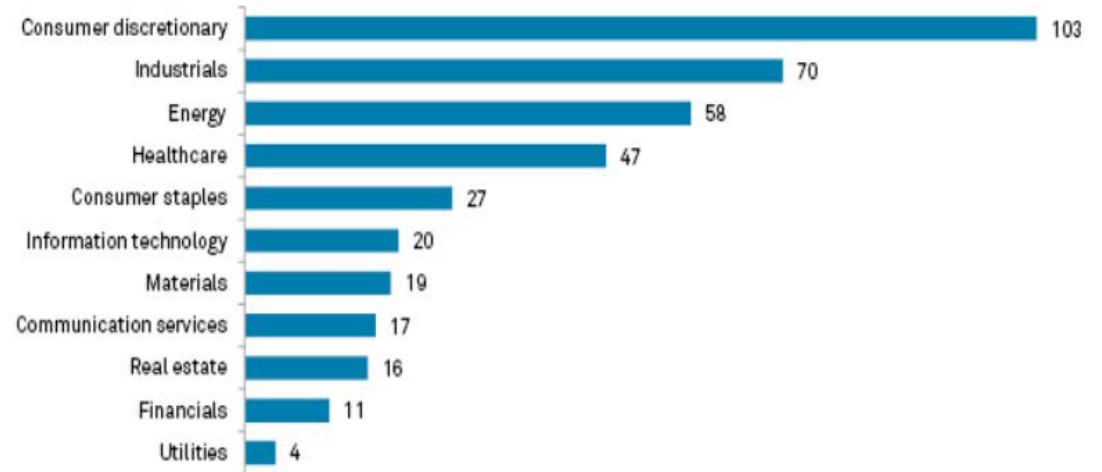
The Fed can provide liquidity...but not revenue

Corporate bond issuance historically high but waning

- Key supply drivers: lost FCF/earnings, pre-funding and tendering short maturities, ultra low rates



2020 bankruptcies by sector



Announced US bankruptcies by year



Notable bankruptcies

- Energy: Whiting Petroleum, Bridgemark, Sheridan Holding Co, Echo Energy, Dalf Energy, Southland, Chesapeake
- Retail: J.Crew Inc., Neiman Marcus, JC Penny, Brooks Brothers, GNC, Sur La Table, Pier 1
- Travel: Hertz, Virgin Australia, Norwegian Cruiseline?, Carnival?
- Restaurants – Ruby Tuesday, California Pizza Kitchen, Chuck E. Cheese



Credit Market Environment

Current state

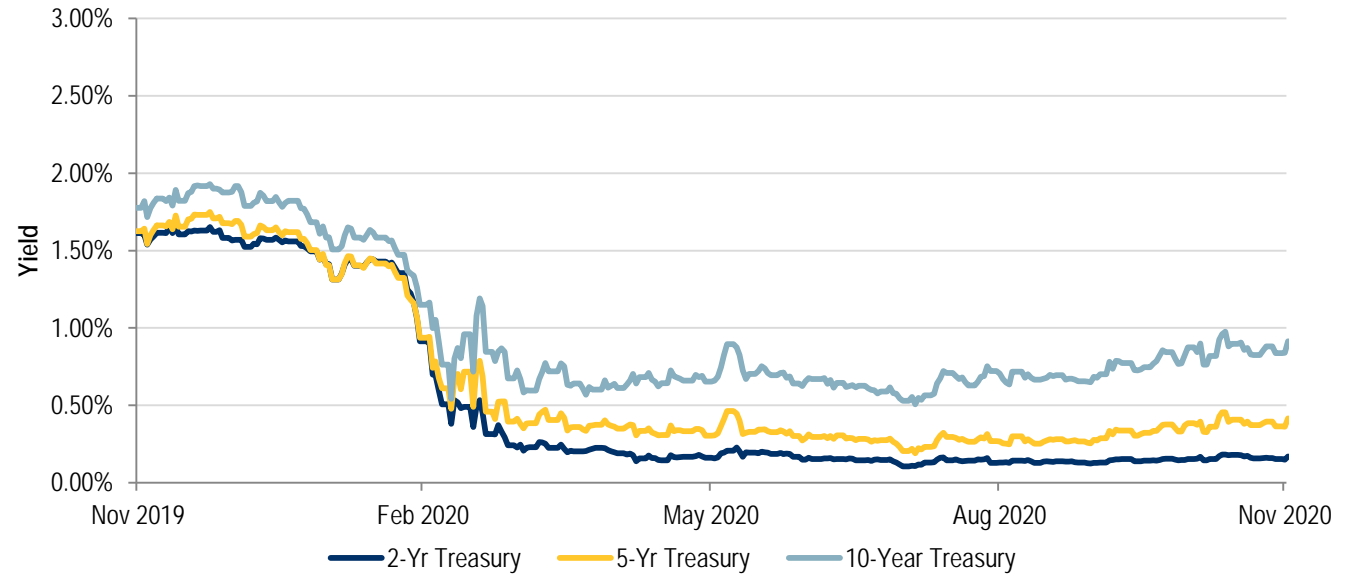
- Corporate earnings negatively impacted from COVID-19, but results have been better than feared
- Large companies have weathered the storm better than small companies
- Companies increased liquidity by raising cash through new debt issuance, reducing costs, cutting share buybacks and dividends
- Debt tender and M&A activity beginning to increase
- Monetary and Fiscal stimulus supportive for credit market
- Low global interest rates continue to support demand

Positioning

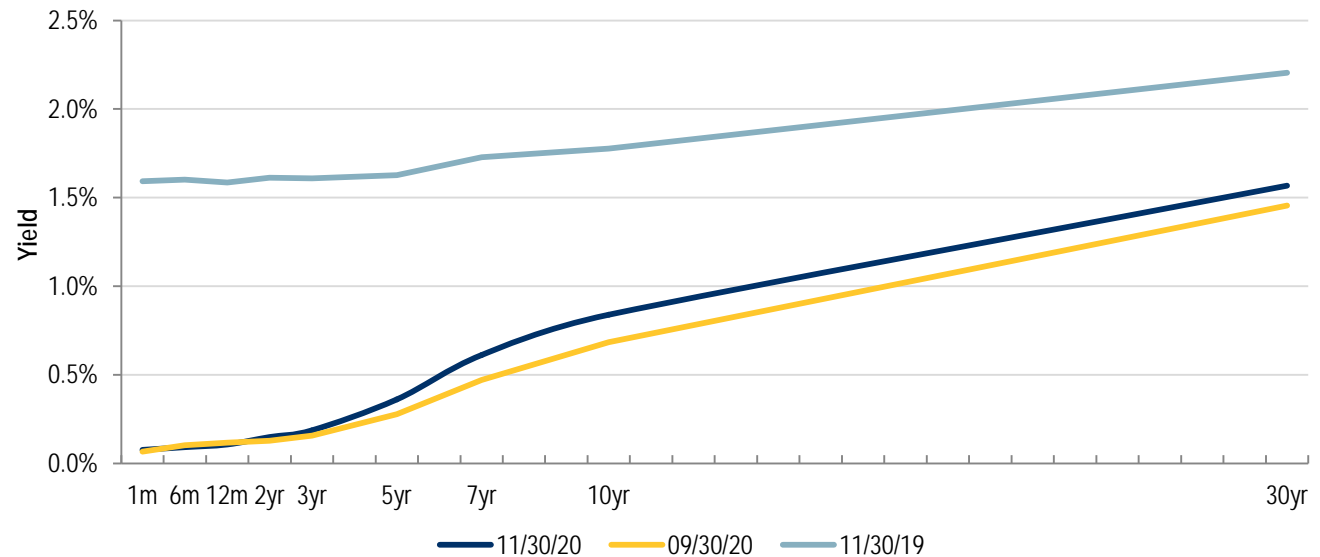
- Prefer large companies with ample liquidity and stable credit profiles
- Focus on companies that are in the process of reducing debt
- Remain overweight to Utilities, Communications and Banks
- More defensively positioned in commodity and cyclical sectors

U.S. Treasury Rates

- Longer US Treasury rates have drifted modestly higher while the short end has been little changed, resulting a slightly steeper curve



- Rates continue to be historically low, anchored by the Fed's accommodative policies and muted growth and inflation expectations



As of 11.30.20
Source: Bloomberg



Outlook

Economic activity rebounded somewhat over summer, but headwinds continue

- Coronavirus adds major uncertainty to global growth
 - Threat of virus resurgence looms for the fall
- The US election has removed some uncertainty – Split government viewed favorably by markets
- Secondary issues:
 - Oil prices
 - Corporate earnings
 - U.S. / China tensions
 - Increased social tensions (food shortages, income inequality, unemployment)
 - Reduced globalization
- GDP outlook
 - Expected GDP revised to -3.6% for 2020
 - 2021 expecting 3.6%
- Federal Reserve – Rates near zero for years and unlimited QE
- Interest Rates collapse – 10-year Treasury fair value below 1% over the medium term
- Risk assets – uncertain and uneven path ahead
 - Equity market rebound supported by a strong technical tailwind (the Fed and QE), but fundamentals suggest further weakness
 - The Fed can provide liquidity, but not revenue (increased defaults and bankruptcies)

Appendix

The US fixed income team

US Fixed Income Team			
Lead Portfolio Managers			Risk Management
Brian Svendahl, CFA Co-Head, US Fixed Income		Brandon Swensen, CFA Co-Head, US Fixed Income	
Sector Focus			Michael Hamp Vice President, Head of Investment Risk Management
Municipal, Government & Mortgage Research		Credit Research	
Raye Kanzenbach, CFA Sr Portfolio Manager	Laurie Mount Analyst	James Weinand, CFA Portfolio Manager	John Northup, CFA Analyst
Scott Kirby Sr Portfolio Manager	Valinie Dayaljee Analyst	Alexey Baskakov, CFA Associate Portfolio Manager	Matt Mueller, CFA Analyst
Eric Hathaway, CFA Sr Portfolio Manager	Karen Ly Analyst	Kelly Foley Analyst	Kelsey Bosshardt Analyst
Ronald Homer Chief Strategist, US Impact Investing	Winnie Hu Quantitative Analyst Yeng Lee Quantitative Analyst		
Institutional Portfolio Managers / Client Service			
John Utter Head of Institutional Client Service – US	Randy Harrison, CFA Institutional Portfolio Manager Bethany Jessen Institutional Portfolio Manager	Mindy Frye Institutional Portfolio Manager Amy Carlson Associate Institutional Portfolio Manager	Chris Boppre, CFA Associate Institutional Portfolio Manager
Investment Policy Compliance			
Eric Smith, CFA Director, Client Operations		Ryan Schaitberger Senior Investment Policy Analyst	
Liquidity Management Solutions			
John C. Donohue Head of Liquidity Management		Eric Stevens Senior Institutional Sales Analyst	

Experienced / Stable / Diverse

- Lead PMs and sector teams average 19 years of experience
- Intentionally structured and stable platform
- Proven talent with diverse skillsets and backgrounds

As of 9.30.20. ¹Experience updated annually.

Professionals



John A. Utter

Managing Director, Head of Institutional Client Service – U.S.

John Utter is responsible for developing and implementing industry leading client service practices and leads the firm's client service efforts, including the development of asset allocation solutions for ultra high net worth and off-shore clients. He joined RBC GAM-US in 2010 from RiverSource Investments, where he was a divisional sales director leading a sales team that helped clients with investment solutions ranging from traditional equities and fixed income to portable alpha and absolute return strategies. Before that, John spent 15 years in institutional sales assisting banks, insurance companies and hedge funds in the U.S. and Europe with their fixed income investments. He began his career in the investment industry in 1988. John earned a BA from St. Lawrence University, holds FINRA Series 7, 24 and 63 licenses and is registered as an Associated Person with the National Futures Association.

Investment Policy Statement

Pima County Community College District Investment Guidelines

The following are guidelines applicable to the placement of Pima County Community College District ("District") funds the District deems to be excess of current budgetary requirements. Investments will at all times comply with statutory and regulatory requirements governing the placement of District's public funds.

Purpose

The purpose of this Statement is to establish guidelines for the fund's investment Portfolio (the "Portfolio"). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the Investment Manager(s) hired on behalf of the fund and its beneficiaries.

Scope

These investment guidelines shall apply to the District's general, auxiliary, and plant fund assets.

Administration

The Governing Board's Finance and Audit Committee ("Committee") will review quarterly investment performance reports received from the District's Investment Manager ("Manager") and/or the District's independent third-party Custodial Bank ("Custodian") and will provide an annual summary to the District's Governing Board. The Committee will also be responsible for periodically reviewing the District's Investment Guidelines ("Guidelines").

All trades of marketable securities will be executed through Manager by Delivery vs. Payment (DVP). Securities will be held by Custodian selected by the District and evidenced by safekeeping receipts in the District's name. The District will only conduct securities investment transactions with financial institutions and licensed security broker/dealers legally registered in the State of Arizona and on the Manager's list of approved financial institutions and brokers/dealers, a copy of which the Manager shall provide the District annually.

Objectives

The fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable stream of annual income and appreciation. The primary objectives of all District investment activities, in priority order, shall be:

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Portfolio. This objective focuses on mitigation of credit risk, custodial credit risk, and interest rate risk.

2. Liquidity

The investment portfolio shall be sufficiently liquid to meet anticipated operating requirements. This shall be accomplished by structuring the Portfolio such that securities mature concurrently with anticipated demands. The Portfolio shall also be structured such that the District may access invested funds necessary to cure the effects of an unexpected event.

Investment Policy Statement

3. Total Return

The investment portfolio shall be designed with the objective of attaining an optimized market rate of return throughout budgetary and economic cycles.

Consistent with a need for stability, diversification, and suitability, special consideration shall be given to investments that demonstrate a commitment to:

- Community development and/or investment, particularly in communities with minority or low income residents
- Diversity in hiring, executives, and boards with respect to sexual orientation, gender, race, and ethnicity
- Transparency and accountability in corporate governance
- Living wages for all employees
- Environmental sustainability, including reducing greenhouse emissions and improving sustainable forestry.

Permitted Investments

Investments indicated in A.R.S. § 35-323 will be permitted by these guidelines. The District has elected to further allow investment in asset classes that historically protect and maintain purchasing power. Most suitably, in portfolios with longer dated objectives. The Committee recognizes that the strategic allocation to varying asset classes with varying degrees of risk, return, and correlation will be the most significant determinate of long term

return and value stability. The Committee also expects that actual return volatility may vary from expectations and objectives across short periods of time.

While the Committee wishes to retain flexibility with respect to making periodic changes, it expects to do so only in the event of material changes to the fund, to the assumptions underlying fund spending, and/or to the capital markets and asset classes in which the Portfolio invests.

Each asset class should not be considered alone, but by the role it plays in a diversified Portfolio. Diversification among asset classes has historically increased returns and reduced overall Portfolio risk. How asset classes relate to each other is the key to making asset allocation decisions within the context of overall risk and return. With these tenets in mind, the Committee has outlined permissible assets as follows:

1. Certificates of deposit in eligible depositories as defined in A.R.S. § 35-321.
2. Certificates of deposit in one or more federally insured banks or savings and loan associations in accordance with the procedures prescribed in A.R.S. § 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository (as defined in A.R.S. § 35-321) to the same extent and in the same manner as required under A.R.S., Title 35, Chapter 2, Article 2.1.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.

Investment Policy Statement

The pooled investment funds established by the Arizona State Treasurer pursuant to A.R.S. § 35-326.

6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.

7. Bonds, notes, or other evidences of indebtedness of Arizona or any of its counties, incorporated cities or towns, or school districts that are rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

8. Bonds, notes, or evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district of any state that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment. Debt must be rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

9. Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. Debt must be rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

An investment shall not be made if:

The face value of all such obligations, and similar obligations outstanding, exceeds fifty per cent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.

b. A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.

10. Commercial paper of prime quality that is rated "PI" by Moody's Investors Service or rated "A1" or better by Standard and Poor's rating service or their successors. All commercial paper must be issued by corporations organized and doing business in the United States.

Investment Policy Statement

Bonds, debentures, and notes that are issued by corporations organized and doing business in the United States and that are rated "AA" or better by Moody's Investor Service or Standard and Poor's rating service or their successors. Ratings apply at the time of purchase. In the event that a security is subsequently downgraded below the minimum rating criteria, the Manager will review the position with the District to determine the appropriate course of action.

12. Securities of or any other interests in any open-end or closed-end management type investment companies or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by this investment guidelines statement, and registered under the Investment Company Act of 1940, as amended.

13. Cash and Cash Equivalents: Cash and cash equivalents can present risk for an institution with a long-term horizon due to the low return and the diminution of purchasing power that entails. It is considered expected to maintain cash and cash equivalents consistent with the operational needs of the College for payables in addition to a minimum of eight percent of the revenues of the current general and designated fund budgets. Outside of extraordinary market dislocation periods, cash will exist from time to time for transaction and/or rebalancing needs.

Diversification and Duration

Maximum percentage of market value of all invested fund assets, as described in "Scope" above:

Position Size: 5% targeted maximum in any one security
 Issuer: 5% targeted maximum in any one issuer

Exemptions to Issuer Maximum Include:

- Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.
- Interest bearing accounts, certificates of deposit, or repurchase agreements which are collateralized with obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.

Shorter duration bonds carry less risk than longer duration bonds and result in better price stability in distressed market environments. If cash is needed in this period, shorter duration bonds provide a source of funds that have had minimal price deterioration.

The Committee recognizes that the long term average fixed income yield curve has a modest upward slope. Standard deviation (price volatility), on the other hand, slopes more dramatically upward in the same frame. Comparing historical returns with historical risk, we understand longer maturity bonds are not an efficient form of compensated risk over the long term, especially beyond 5 year maturities.

Investment Policy Statement

Investment Allocations

<u>Type</u>	<u>Maximum Allocation</u>
Cash	20%
Certificates of Deposit (Term)	50%
Repurchase Agreements	50%
Pooled Investments (LGIP)	50%
U.S. Government Obligations/TIPS	100%
U.S. Government Agencies	100%
Municipal Securities	20%
Commercial Paper	20%
Corporate Bonds	50%

Percentages apply at the time of purchase, allowing for moderate drift with long term holding intent. If the percentages are materially exceeded due to redemption or other activity, the Manager will seek to realign the Portfolio within the maximum targeted percentages.

Arizona Revised Statutes

35-323 - Investing public monies; bidding; security and other requirements

35-323. Investing public monies; bidding; security and other requirements

A. The treasurer shall invest and reinvest public monies in securities and deposits with a maximum maturity of five years. All public monies shall be invested in eligible investments. Eligible investments are:

1. Certificates of deposit in eligible depositories.
2. Deposits in one or more federally insured banks or savings and loan associations placed in accordance with the procedures prescribed in section 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under this article.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.
5. The pooled investment funds established by the state treasurer pursuant to section 35-326.
6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
7. Bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants that shall bear interest pursuant to section 11-635.
8. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment.
9. Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. An investment shall not be made if:
 - (a) The face value of all such obligations, and similar obligations outstanding, exceeds fifty percent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.
 - (b) A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
10. Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States.
11. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies.
12. Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association.

<http://azleg.gov/ars/35/00323.htm>[09/09/15 10:58:45 AM]

35-323 - Investing public monies; bidding; security and other requirements

13. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.
- B. Certificates of deposit shall be purchased from the eligible depository bidding the highest permissible rate of interest. No monies over one hundred thousand dollars may be awarded at any interest rate less than one hundred three percent of the equivalent bond yield of the offer side of United States treasury bills having a similar term. If the eligible depository offering to pay the highest rate of interest has bid only for a portion of the monies to be awarded, the remainder of the monies shall be awarded to eligible depositories bidding the next highest rates of interest.
- C. An eligible depository is not eligible to receive total aggregate deposits from this state and all its subdivisions in an amount exceeding twice its capital structure as outlined in the last call of condition of the superintendent of financial institutions.
- D. If two or more eligible depositories submit bids of an identical rate of interest for all or any portion of the monies to be deposited, the award of the deposit of the monies shall be made to the eligible depository among those submitting identical bids having, at the time of the bid opening, the lowest ratio of total public deposits in relation to its capital structure.
- E. Each bid submitted, and not withdrawn prior to the time specified, constitutes an irrevocable offer to pay interest as specified in the bid on the deposit, or portion bid for, and the award of a deposit in accordance with this section obligates the depository to accept the deposit and pay interest as specified in the bid pursuant to which the deposit is awarded.
- F. The treasurer shall maintain a record of all bids received and shall make available to the board of deposit at its next regularly scheduled meeting a correct list showing the bidders, the bids received and the amount awarded. These records shall be available to the public and shall be kept in the possession of the treasurer for not less than two years from the date of the report.
- G. Any eligible depository, before receiving a deposit in excess of the insured amount under this article, shall deliver collateral for the purposes of this subsection equal to at least one hundred two percent of the deposit. The collateral shall be any of the following:
 1. A bond executed by a surety company that is approved by the treasury department of the United States and authorized to do business in this state. The bond shall be approved as to form by the legal advisor of the treasurer.
 2. Securities or instruments of the following character:
 - (a) United States government or agency obligations.
 - (b) State, county, school district and other district municipal bonds.
 3. The safekeeping receipt of a federal reserve bank or any bank located in a reserve city, or any bank authorized to do business in this state, whose combined capital, surplus and outstanding capital notes and debentures on the date of the safekeeping receipt are ten million dollars or more, evidencing the deposit therein of any securities or instruments described in this section. A safekeeping receipt shall not qualify as security, if issued by a bank to secure its own public deposits, unless issued directly through its trust department. The safekeeping receipt shall show upon its face that it is issued for the account of the treasurer and shall be delivered to the treasurer. The safekeeping receipt may provide for the substitution of securities or instruments which qualify under this section with the affirmative act of the treasurer.
 4. Letters of credit issued by a federal home loan bank if:
 - (a) The letter of credit has been delivered pursuant to this section or chapter 10, article 1 of this title to the statewide

<http://azleg.gov/ars/35/00323.htm>[09/09/15 10:58:45 AM]

Arizona Revised Statutes

35-323 - Investing public monies; bidding; security and other requirements

collateral pool administrator.

(b) The letter of credit meets the required conditions of:

(i) Being irrevocable.

(ii) Being issued, presentable and payable at a federal home loan bank in United States dollars. Presentation may be made by the beneficiary submitting the original letter of credit, including any amendments, and the demand in writing, by overnight delivery.

(iii) If the letter of credit is for purposes of chapter 10, article 1 of this title, containing a statement that identifies the statewide collateral pool administrator as the beneficiary.

(iv) Containing an issue date and a date of expiration.

(c) For the purposes of chapter 10, article 1 of this title, the eligible depository, if notified by the statewide collateral pool administrator, is not allowed to use new letters of credit issued by a federal home loan bank if that federal home loan bank fails to pay a draw request as provided for in the letters of credit or fails to properly complete a confirmation of such letters of credit.

H. The securities, instruments or safekeeping receipt for the securities and instruments shall be accepted at market value if not above par, and, if at any time their market value becomes less than the deposit liability to that treasurer, additional securities or instruments required to guarantee deposits shall be deposited immediately with the treasurer who made the deposit and deposited by the eligible depository in which the deposit was made.

I. The condition of the surety bond, or the deposit of securities, instruments or a safekeeping receipt, must be such that the eligible depository will promptly pay to the parties entitled public monies in its custody, upon lawful demand, and will, when required by law, pay the monies to the treasurer making the deposit.

J. Notwithstanding the requirements of this section, any institution qualifying as an eligible depository may accept deposits of public monies to the total then authorized insurance of accounts, insured by federal deposit insurance, without depositing a surety bond or securities in lieu of the surety bond.

K. An eligible depository shall report monthly to the treasurer the total deposits of that treasurer and the par value and the market value of any pledged collateral securing those deposits.

L. When a security or instrument pledged as collateral matures or is called for redemption, the cash received for the security or instrument shall be held in place of the security until the depository has obtained a written release or provided substitute securities or instruments.

M. The surety bond, securities, instruments or safekeeping receipt of an eligible depository shall be deposited with the treasurer making the deposit, and the treasurer shall be the custodian of the bond, securities, instruments or safekeeping receipt. The treasurer may then deposit with the depository public monies then in the treasurer's possession in accordance with this article, but not in an amount in excess of the surety bond, securities, instruments or safekeeping receipt deposited, except for federal deposit insurance.

N. The following restrictions on investments are applicable:

1. An investment of public operating fund monies shall not be invested for a maturity of longer than five years.

2. The board of deposit may order the treasurer to sell any of the securities, and any order shall specifically describe the securities and fix the date upon which they are to be sold. Securities so ordered to be sold shall be sold for cash by the treasurer on the date fixed in the order, at the then current market price. The treasurer and the members of the board are not accountable for any loss occasioned by sales of securities at prices lower than their cost. Any loss or expense shall be charged against earnings received from investment of public funds.

35-323 - Investing public monies; bidding; security and other requirements

3. Investments shall not be made in companies identified pursuant to section 35-392, subsection A, paragraph 1.

O. If the total amount of subdivision monies available for deposit at any time is less than the maximum coverage amount of the federal deposit insurance corporation, the subdivision board of deposit shall award the deposit of the funds to an eligible depository in accordance with an ordinance or resolution of the governing body of the subdivision. Deposits of less than the maximum coverage amount of the federal deposit insurance corporation are not subject to the requirements of this chapter.

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**Center for International Education and Global Engagement
Final Audit Report**

November 20, 2020

DISTRIBUTION:

Lee Lambert, Chancellor

Governing Board

Finance and Audit Committee

Bruce Moses, Vice Chancellor for Educational Services and Inst. Integrity

Ricardo Castro-Salazar, Vice President for International Development

Jeff Silvyn, General Counsel

Completed By:
Jose A. Saldamando, Internal Audit



The Office of the Internal Auditor (Internal Audit) has completed the audit of the Center for International Education and Global Engagement (CIEGE) in accordance with our Audit Plan. We recognize that valuable time was required of the International Students' staff during the audit, and express our appreciation for their efforts in helping us complete the audit as efficiently as possible.

The objectives of the audit were:

- to determine whether the CIEGE activities are in compliance with the mission of the Center and the College;
- to determine whether controls associated with processes and transactions related to faculty and staff expenses are adequate;
- to determine whether controls associated with processes and transactions related to the CIEGE Program are adequate and in compliance with policies, procedures and regulations; and
- to determine whether activities performed by CIEGE staff are adequate and consistent with job descriptions.

SCOPE & METHODOLOGY

We performed tests on controls over expenses and travel transactions, international student file documentation, and management reviews from July 1, 2018 to June 30, 2019.

The audit procedures included the following:

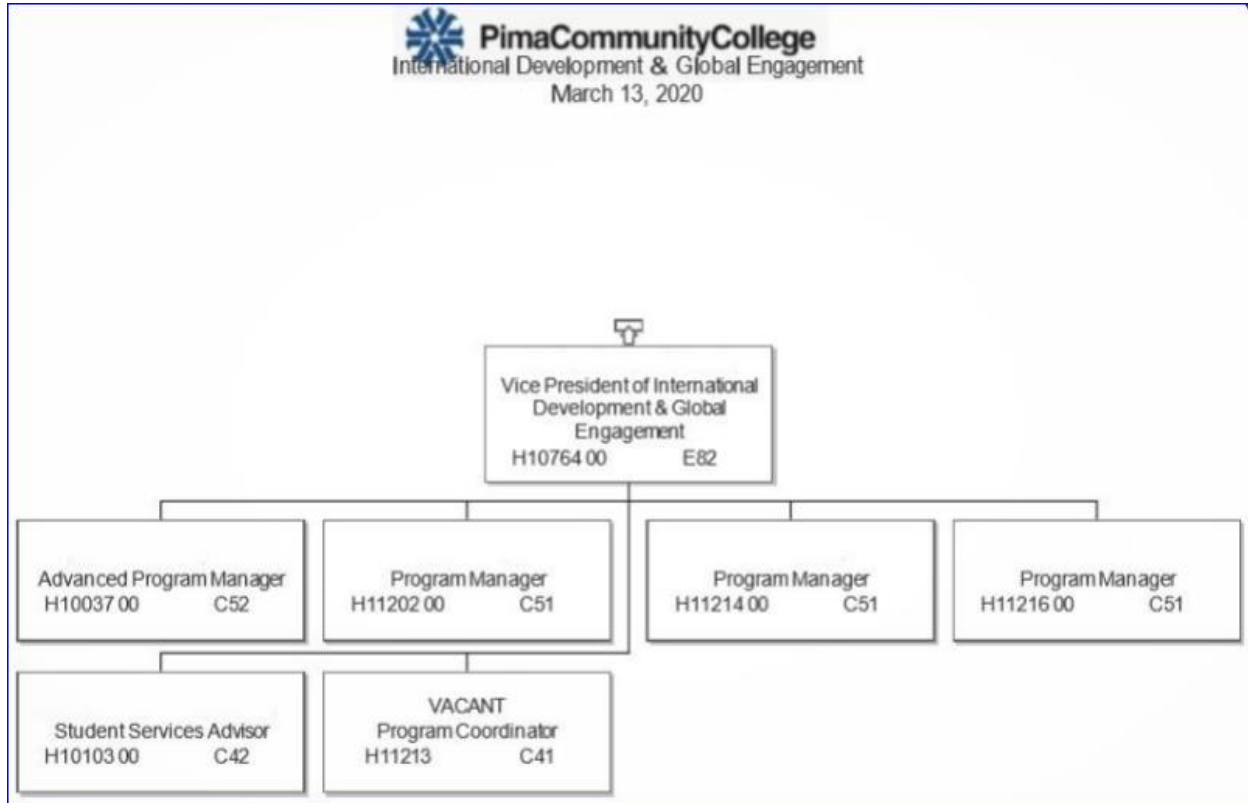
1. Interviewed CIEGE staff and administration;
2. Review of various procedures manuals – CIEGE Operational Procedures Manual, Pima Community College (PCC) Travel Manual, HR Procedures, and Compliance Manuals;
3. Obtained and reviewed various International Student documents and Banner System student records;
4. Obtained and reviewed CIEGE staff expenses and travel reports and SAP Concord System documentation; and
5. Review CIEGE personnel job descriptions.

BACKGROUND

The CIEGE Department provides comprehensive services, programming, and serves as a resource to multiple stakeholders, partners, and campus colleagues. The CIEGE Department is located at the West Campus and responsible for international student federal compliance, as well as:

- providing international students with a welcoming environment/orientation that supports the achievement of their academic goals;
- providing cultural activities to help international students adjust to living in the United States;
- administering international student visas (F-1 Full-time Students, and other visa types);
- conducting support activities for visa administration including issuing I-20 forms (issued by the College for F-1 Visas);
- providing academic counseling; and
- recruiting new students globally to attend PCC.

As of March 2020, the CIEGE Department had six employees consisting of a Vice President of International Development & Global Engagement, an Advanced Program Manager, three Program Managers, and a Student Service Advisor.

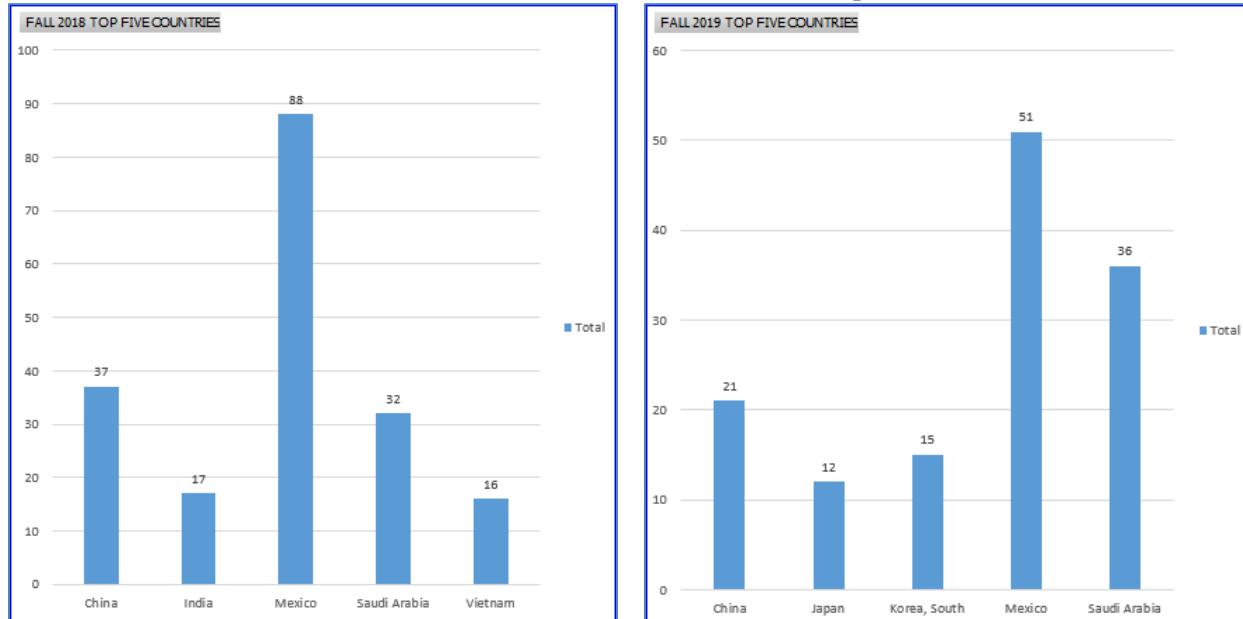


The 2020-2023 Strategic Goals and Operational Plan Activities of the Center for International Education and Global Engagement include:

- *Increase international education enrollment, persistence, retention, and completion (Improve student success)*
- *Leverage technology to expand and enhance international outreach and recruitment campaigns (Improve student success)*
- *Maximize the participation of students, staff, faculty, and administrators in global education programs (Enrich the community through engagement)*
- *Institutionalize all aspects of education abroad programs, including experiential/service-learning opportunities (Cultivate institutional excellence through continuous improvement)*
- *Increase efficiency and effectiveness of policies, procedures, and services (Cultivate institutional excellence through continuous improvement)*
- *Foster a culture of accountability within all international programs, services, and deliverables (Cultivate institutional excellence through continuous improvement)*

PCC International Students Statistics

In Fall 2019 there were 229 international students attending PCC, a 22% total decrease from 2018. The majority of students were F-1 Visa students studying full-time at PCC. The top five countries sending students to PCC were Mexico, China, Saudi Arabia, South Korea and Japan.

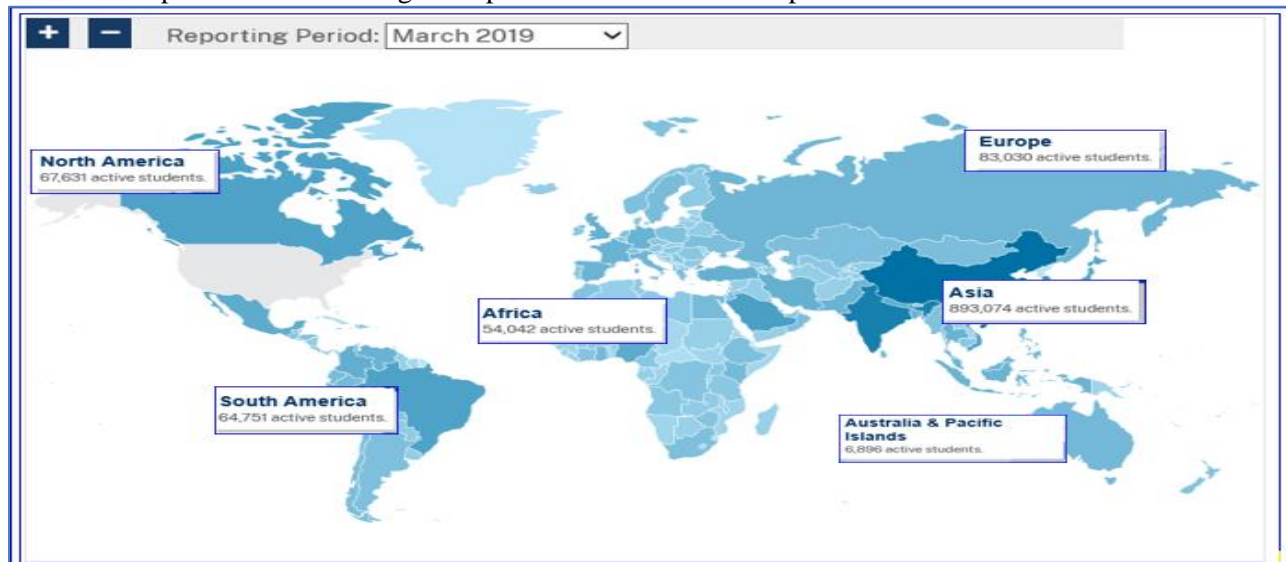


Global International Students Statistics

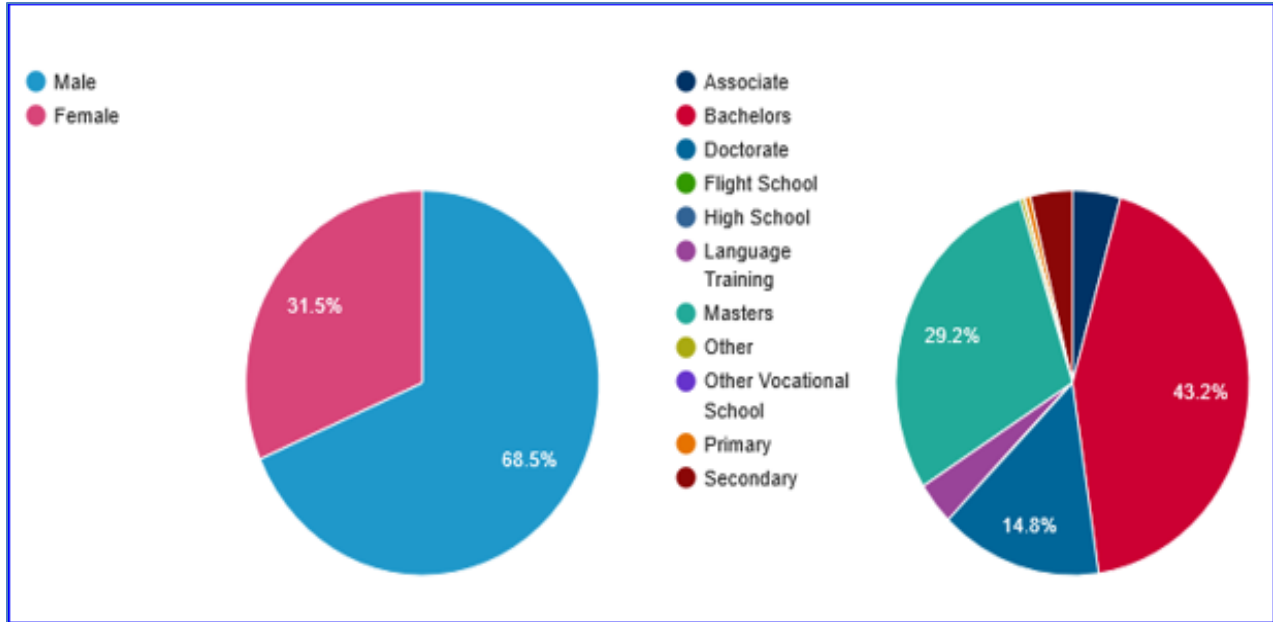
Based on the Student and Exchange Visitor Information System (SEVIS), as of March 2019 there were 1,169,464 international students in the United States.

SEVIS is a nationwide Internet-based system that the U.S. government uses to maintain accurate and current information on non-immigrant students (F and M visa), exchange visitors (J visa), and their dependents (F-2, M-2, and J-2).

Statistics for places of student origin are provided on the world map below.



There were 20,549 (or 1.78%) of international students that studied in Arizona:



CONCLUSION

Observations and recommendations in this report are offered to Management for their consideration in strengthening controls and procedures.

Internal Audit has determined that overall policy and procedures are adequate to guide the CIEGE activities. Most of CIEGE’s internal controls are functioning effectively. Activities were properly authorized, processed, and adequately maintained, with a few exceptions noted in the Executive Summary below, which deficiencies should be addressed to prevent adverse consequences to the College, staff and students participating in the program.

EXECUTIVE SUMMARY OF FINDINGS

We noted the following areas require improvement as the residual risk of such deficiencies could negatively impact the College:

- A review of a Memorandum of Understanding (MOU) between Pima Community College and the Mexican Consulate showed that the Labor Relationship Article (Article VII) was not strictly followed. The PCC employee(s) appear to act as a Consulate Representative based on job descriptions and services provided. Consulate business cards were issued to PCC employee. The MOU states, “The personnel of Pima Community College District, during their work inside of the “Consulate” or other activities related to the same, shall at all times carry an identification and shall not display themselves as an officer, employee or representative of the “Consulate.”” College staff performed work outside the scope of the MOU, in particular tasks that supported Consulate services rather than the College role. A CIEGE staff member expressed concern to the unit head but no corrective actions were taken.
- The MOU had a one year term; however, services continued for ten additional months. The MOU was not updated and/or a new MOU was not issued.
- CIEGE staff job descriptions do not align with current roles and responsibilities.
- One of the ten (10%) international student files reviewed revealed that no health insurance coverage was available for the student during Spring 2019. The student paid for health insurance coverage; however, CIEGE staff did not submitted documentation to the health insurance company, LewerMark.
- Four of the ten international student files reviewed showed that the “ISSO Staff Use Only” fields within the international student application form were not entirely completed by CIEGE personnel.

Additional detail of audit exceptions are in “Appendix A – Audit Findings.”

The audit exceptions listed in Appendix A are a result of procedural gaps and/or deficiencies and listed in order of significance. These findings were deemed to have a residual risk level of low to high and include responses from Management. Management should review appendix and related recommendations in their entirety to determine if changes to procedures are needed.

See Appendix B – for risk level definitions.

We thank the entire CIEGE Department team for their cooperation and courtesy extended to us during the audit.

APPENDIX A

AUDIT FINDINGS

RESIDUAL RISK: HIGH

1. A review of the Educational Orientation Window Memorandum of Understanding (MOU) showed that the Labor Relationship Article (Article VII) may not have been strictly followed and there was a lack of clarity in the roles and responsibilities between College and Consulate personnel. Based on information reviewed and interviews with CIEGE staff, PCC employee(s) appeared to act as a Consulate Representative based on job descriptions and services provided at the Mexican Consulate premises (e.g. PCC employee addressed questions related to Mexican Consulate services; PCC employee received training on Mexican Consulate services (e.g. how to process a Mexican passports, how to obtain a copy of a Mexican birth certificate, knowledge of foreign country's educational system, etc.); PCC employee received Mexican Consulate business cards; etc.). Consulate staff were not interviewed as part of this audit to determine their perspective regarding MOU terms. The MOU Article VII states, "The personnel of Pima Community College District, during their work inside of the "Consulate" or other activities related to the same, shall at all times carry an identification and shall not display themselves as an officer, employee or representative of the "Consulate"." The PCC staff person involved expressed concerns about these circumstances to the Vice President, but no correction action were taken.

The potential risks to the College include:

- Financial and legal liabilities, including misuse of College resources;
- Misleading consulate customers on products and/or services offered by the consulate;
- Reputational risks for the College;
- Staff may not effectively complete other roles and responsibilities at the College;
- Loss of confidence with management for not taking action on staff concerns; and
- College resources (Staff time and money) used to support work of another entity with no comparable, return benefit to the College.

Recommendation: Management should evaluate the conditions set in the Educational Orientation Window MOU and update the job description. Training should be provided to CIEGE staff to understand their roles and expectation while at the Educational Orientation Window. Also, Management should consider evaluating the need(s) of having a CIEGE staff at the Consulate of Mexico premises. Prior to entering an agreement involving shared use of personnel or services, CIEGE should consult the HR Department to ensure that College employment standards have been adequately considered. Management may also consider whether some form of corrective action is necessary or appropriate for personnel involved in this matter.

CIEGE Management's Response:

The Vice President of International Development and Global Engagement will develop a job description and will be shared with the Vice Chancellor for Educational Services and Institutional Integrity and Provost and Executive Vice Chancellor. Training will be provided to the individual on their role of working the Educational Orientation Window. Management will consult with Human Resources Department to ensure College employment standards have been adequately considered.

Management will also discuss the need to have a Pima student affairs employee on the Consulate premises.

Estimated Implementation Date:

November 30, 2020.

2. A review of the Educational Orientation Window MOU, the MOU was enter into for a term of one year (November 2017 to November 2018); however, based on interviews with CIEGE staff, services continued for ten additional months (December 2018 to September 2019). The MOU was not updated and/or a new MOU was not issued.

The lack of a written contract could lead to:

- Financial and legal liabilities including misuse of College resources;
- An inability to enforce terms or rectify misunderstandings between the College, international students and foreign government officials; and
- An increased risk of fraud.

Recommendation: Management outside of CIEGE should review MOUs at least every year to ensure all conditions are met. In addition, College General Counsel should review CIEGE MOUs prior to approval to ensure all key elements are included and avoid any legal action against the College. The CIEGE Program, in coordination with the Contracts Department, should develop an agreement management process to ensure timely renewal, extension, or modification of program-related agreements. Management may consider whether corrective action is necessary or appropriate with staff involved in this matter.

CIEGE Management's Response:

Management will seek General Counsel approval for all MOUs to ensure all key elements are included and avoid any legal action against the College. All MOUs will be reviewed yearly; management will develop a schedule and arrange for a review of all current MOUs with legal counsel. No MOUs will go beyond their initial term without a timely renewal, extension, or modification of program-related agreement.

Estimated Implementation Date:

A review of all current MOUs that rescind in CIEGE will be reviewed with legal counsel by April 1, 2021.

RESIDUAL RISK: MEDIUM

3. CIEGE staff job descriptions do not align with current roles and responsibilities. Based on interviews with CIEGE personnel, additional roles and responsibilities have been assigned due to high turnover within the CIEGE Department (e.g. Student Services Advisor has been assigned the Principal Designated School Officer (PDSO) and Manager/Coordinator of the Educational Orientation Window at the Consulate of Mexico in Tucson responsibilities; Program Managers have been assigned Designated School Officer responsibilities, etc.). It should be noted that staff that assisted with activities related to the MOU discussed above, worked beyond their normal work schedule to complete all assigned tasks.

Assigning new roles and responsibilities to employees could lead to:

- Non-compliance with College policies and procedures and State and/or Federal regulations;
- Bypass of key processes;
- Inefficient processes or unnecessary work; and
- Unclear expectations.

Recommendation: Management should update CIEGE job descriptions with current staff roles and responsibilities. In addition, training should be provided to staff for new tasks assigned. CIEGE Management may consider consult with Human Resources and/or Payroll to conduct a review to determine if any non-exempt CIEGE staff assigned to perform tasks under the MOU worked overtime and, if so, received the appropriate wages.

CIEGE Management's Response:

The Vice Chancellor for Educational Services and Institutional Integrity will review and update the organization structure and job descriptions by March 1, 2021.

Estimated Implementation Date:

March 1, 2021.

4. One of the ten (10%) international student files reviewed revealed that no health insurance coverage was available for a student during Spring 2019. The student paid for health insurance coverage; however, CIEGE staff did not submitted documentation to the health insurance company, LewerMark. Based on the Center for International Education and Global Engagement Operational Procedures Manual, "International students intending to pursue full-time study on an F-1 visa must submit the following documents to the Center for International Education and Global Engagement to satisfy admission requirements. . . . Proof of health insurance coverage. This requirement is met by enrolling in the student health insurance plan provided by PCC. Students who are under the sponsorship of their government or an agency that is responsible for their educational expenses, including medical coverage may waive the student health insurance plan provided by the College." It should be noted that International students on an F-1 visa do not have any government related health insurance requirements to meet when studying in the United States, F-1 visa holders should follow the insurance guidelines set by their school.

The lack of health insurance for international students may include:

- Non-compliance with College policies and procedures;
- Financial and legal liabilities for the College;
- Significant financial harm to a student; and
- Reputational risks for the College.

Recommendation: Management should consider reviewing student files periodically to ensure health insurance coverage is available. Management may consider reimbursing the amount of health insurance paid by the student. Management should also consider revisiting the College policy with Legal Counsel and Risk Management or business services to determine if current system is the most effective option for reducing risks.

Internal Auditor Note: On October 7, 2020, a refund was issued to international student for health insurance coverage.

CIEGE Management’s Response:

We will update the process of insurance enrollment and document in the procedures manual to the following: For students that require coverage through the College’s preferred provider, fees are automatically added to their student account when course registration is processed each semester. A lead Designated School Officer (DSO)/Principal Designated School Official (PDSO) will compile a course enrollment registration report to identify all F-1 students who require health insurance. A second DSO/PDSO will perform a second review of the data to ensure accuracy. The completed enrollment list is then submitted to the insurance vendor for enrollment. This process will be repeated a number of times and a final enrollment report will be submitted to the insurance vendor at the end of the 30 day SEVIS enrollment period. Each semester, the responsible DSO/PDSO will cycle through the lead role and second reviewer role to promote better understanding of this process throughout the team.”

We will rewrite the policy in collaboration with Legal Counsel, Risk Management and Compliance, and Office of Registrar to minimize risk for the institution and international F1 students.

Estimated Implementation Date:

December 31, 2020 (insurance enrollment review) and February 28, 2021 (New Policy).

RESIDUAL RISK: LOW

- There were four of the ten (40%) international student files reviewed that the “ISSO Staff Use Only” fields within the international student application form were not entirely completed by CIEGE personnel. It should be noted that in Spring 2019, the international student application form was updated. The new form does not include these fields; CIEGE staff who reviews and process an international student application is tracked via a shared worksheet.

Bypassing fields within the international student application form may result in:

- Non-compliance with College policies and procedures; and
- Missing key information (e.g. student and/or college).

Recommendation: In addition to tracking international student applications via the shared worksheet, Management should consider implementing an online international student application form to ease the process for prospect students and CIEGE personnel.

CIEGE Management’s Response:

Note: On November 14, 2018, an updated application form (<https://pima.edu/admission/apply-to-pima/international-program/docs/international-application-form.pdf>) was approved by Marketing & Communication and was uploaded to Pima’s website immediately. The new form does not require staff signature anymore because all applications are tracked via the shared worksheet. The old form was terminated and prohibited from use since then.

CIEGE is collaborating with Enterprise Systems of the Office of Enrollment Management/Registrar to set up an online International Student Application and it is in its final staging environment. The online application is expected to be in production by December 2020.

Estimated Implementation Date:

December 31, 2020.

APPENDIX B
RISK DEFINITIONS

Risk Level	Definitions and Examples
High	<p>Considerations incorporated into this risk level include one or more of the criteria listed below. Issues ranked as high risks do not necessarily meet every criterion listed below but could comprise one or more items.</p> <ul style="list-style-type: none"> • Misappropriations or losses considered significant by internal audit and management. • A repeat control weakness that has not been addressed by management or is slowly being addressed. • An unintentional error in the financial results. • Inadequate segregation of duties. • Inappropriate authority levels in place. • Findings that could result in an undesirable consequence relative to legal position or publicity. • Significant policy violation present. • Policy violation that in isolation would not be significant but which displays a consistent pattern of behavior that would represent a significant policy violation. • Any other matter that internal audit believes to be of a significant nature. <p>Examples: non-compliance with laws and federal regulations (e.g. Student Financial Aid compliance; Higher Learning Commission (HLC) accreditation; Information Technology cybersecurity data breach, etc.), high dollar risks (e.g. \$500k), ethical issues, reputational, etc.</p>
Medium	<p>Considerations incorporated into this risk level include one or more of the criteria listed below. Issues ranked as medium risks do not necessarily meet every criterion listed below but could comprise one or more items.</p> <ul style="list-style-type: none"> • Control weaknesses that could lead to significant misappropriation, losses or misstatement of financial results but which are compensated for by informal controls. There is no reliance that the informal control system will continue to operate in a consistent fashion. • Control weaknesses that could result in a loss considered significant by internal audit and management and upwards, but have not yet resulted in a loss and which are being properly addressed by management. • Some segregation of duties issues. • Policy violations • An unintentional material misstatement of financial results or a control weakness, which could result in an unintentional material misstatement of financial results. • A lack of policy and procedures covering significant transactions/activities or non-compliance with policies and procedures covering significant transactions/activities. • Misappropriations considered less than significant. <p>Examples: unauthorized travel expense incurred by employee with PCC travel card.</p>

Low	<p>Considerations incorporated into this risk level include one or more of the criteria listed below. Issues ranked as low risks do not necessarily meet every criterion listed below but could comprise one or more items.</p> <ul style="list-style-type: none">• Objectives are being achieved.• Adequate segregation of duties present.• Appropriate approval authority levels present.• Control weaknesses are of minor importance and are not likely to significantly impact the accuracy of results or effectiveness of operations. These types of control weaknesses are related mainly to strengthening the control environment where some value would result to management.• Controls that provide management with worthwhile benefits relative to greater confidence in decision-making.• Controls which, if eliminated or re-engineered, would benefit productivity or effectiveness. <p>Examples, petty cash <\$100, office supplies inventory, etc.</p>
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**Office of the Internal Auditor Executive Summary Quarterly Report
December 2020**

The Office of the Internal Auditor Executive Summary Quarterly Report is designed to provide an overview of the department activities, status of open audit findings, audit plan activities and important compliance items. The report includes the following sections: General Department Update, Audit Recap, Audit Plan and Important Compliance Items and Guidance.

General Department Update

The Office of the Internal Auditor (OIA) continues to monitor and follow-up with management on open audit findings. During the past quarter, the OIA followed up on all audits with open items (Automotive Audit, Key Controls Review, Health Insurance Portability and Accountability Act (HIPAA) Audit, Marketing & Advertising Request for Proposals (RFP) Vendor Selection Process Assessment and Information Technology Audit). See the Audit Recap section below for more details.

The OIA has completed the Center for International Education and Global Engagement (CIEGE) audit. The audit objectives were to determine: whether the CIEGE activities are in compliance with the mission of the Office and the College; whether controls associated with processes and transactions related to faculty and staff expenses are adequate; whether controls associated with processes and transactions related to the CIEGE Program are adequate and in compliance with policies, procedures and regulations; and whether activities performed by CIEGE staff are adequate and consistent with job descriptions. There were five items noted; the final report was issued on November 20, 2020.

The OIA is currently conducting the Clery Act Compliance audit. Management is working on providing the requested documentation. More details will be provided in the next quarterly report.

During the months of August, September, October and November, Internal Auditor attended the Security and Access Control Work Group (SACG) meetings. The SACG is a monitoring work group comprised of designated representatives from various departments (e.g. College Police, Human Resources, Information Technology, Environmental Health and Safety, etc.) that define and recommend standards for College access control within the Security and Access Control Operating Procedures. The role of the OIA is to assess and make recommendation on the effectiveness of the existing and new/proposed controls. The group meets every two weeks.

The OIA continues working with the Strategy, Analytics and Research (STAR) Department on process effectiveness (e.g. determine methods that could be used to evaluate effectiveness among multiple areas/units, identify and use system(s) data to evaluate processes and determine control efficiencies and effectiveness, etc.). The Chief Strategist, Assistant Vice Chancellor of Strategy, Analytics and Research is setting-up a meeting with key personnel from various departments to discuss information.



On September 23, 2020, Internal Auditor met with Steve Schiltz, Principal at CliftonLarsonAllen (CLA), to gain an understanding of the consulting services offered to higher education institutions. CLA has an existing pricing agreement with the State of Arizona Department of Administration; the College Procurement Office personnel is reviewing the agreement to determine if they meet the eligibility requirements. A proposal will be requested for the upcoming Purchasing Audit requested by the Governing Board. Internal Audit is currently working on the audit scope and objectives. More details will be provided in the next quarterly report.

During the past quarter, Internal Auditor attended several virtual webinars. Some of these include: Construction Audit; The Future of Internal Audit - How to Stay Relevant in a Risky Economy; Protecting the Value of Higher Education; Fraud Focus - Where to Focus Your Fraud Efforts; and Pima Community College Wellness Webinars. Some webinars offered Continuing Professional Education (CPE) credits.

Audit Recap

The Office of the Internal Auditor followed-up with management on all audits with open items (Automotive Audit, Key Controls Review, Health Insurance Portability and Accountability Act (HIPAA) Audit, Marketing & Advertising Request for Proposals (RFP) Vendor Selection Process Assessment and Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning Audit). There were 9 findings closed in the past quarter. Currently there are 79 findings closed (81%) and 19 findings open (19%) as depicted below:

Audit Title	Audit(s) Date (Initial & Follow up Audits)	Number of Findings Issued	Number of Findings Open	Department/Area	Expected Completion Date * (Based on Audit Report)	New Expected Completion Date (Based on Follow-up)
Access and Disability Resources (ADA)	Dec. 16, 2016	3	0	Access and Disability Resources (ADR)	Mar. 2018 (longest date out)	Closed May 2020
Comments: Open items were closed in May 2020. Items were related to training and ADA services.						
Automotive Audit	Mar. 23, 2017	3	1	Dean of Applied Technology	Mar. 2019 (longest date out)	Oct. 2020 & Mar. 2021
Comments: One item closed in November 2020. Item was related to formalizing processes in a procedure and updating the automotive inventory tracking sheet. Automotive Management is working with the Vice Chancellor Strategy, Analytics and Research on implementing a process to maintain job placement rates and perform trending analysis to help ensure that programs are meeting the needs of students and industry. The current estimate time for the system to be fully implemented is Spring 2021. The risk rating for the remaining open item is medium.						



Pima County Community College District

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Audit Title	Audit(s) Date (Initial & Follow up Audits)	Number of Findings Issued	Number of Findings Open	Department/Area	Expected Completion Date * (Based on Audit Report)	New Expected Completion Date (Based on Follow-up)
Aviation Center Controls	Sep. 22,2014; Jun. 9, 2015; May 5, 2016; Mar.28,2017; Jan. 26, 2018	6	0	Academic Director Aviation Technology Center	Aug. 2018	Closed Feb. 2020
Comments: Open item was closed in February. 2020; item is being monitored in the Key Controls review.						
Center for International Education and Global Engagement	May 17, 2016 & Apr. 21, 2017	11	0	Vice President of International Development	May 2017 (longest date out)	Closed Jul. 2020
Comments: Open item was closed in July 2020; Management established a comprehensive process for contract development between PCC and foreign governments for international student services.						
Clery Act Compliance	Apr. 1, 2016 & Jun. 14, 2017	6	0	Police Chief, Clery Compliance Officer	Dec. 2017 (longest date out)	Closed May 2020
Comments: Open items were closed in May 2020. Items were related to training and formalizing processes in procedures.						
Contract Processes, Controls, and Administration Audit	Jun. 25, 2015 & Nov.23, 2015	3	0	Purchasing Director / Contracts Director	Mar. 2016	Closed May 2020
Comments: Open items were closed in May 2020. Items were related to updating/formalizing processes in procedures.						
Health Insurance Portability and Accountability Act (HIPAA)	May 20, 2016 & Jul. 31, 2017	37	9	The Assistant Vice Chancellor (AVC) of Information Technology (IT), Employee Service Center (ESC) Director	May 2019 (longest date out)	Dec. 2020
Comments: There were five items closed in August and September 2020. Items were related to new staff HIPAA training, ePHI compliance systems, encryption features in ESC printer(s), and vendor contract security requirements. The remaining open items are related to updating/formalizing policies and procedures, HIPAA training for IT staff, and disaster recovery planning. The risk rating for the remaining open items range from medium to high. IT Management is currently working on the remediation for the remaining findings.						



Pima County Community College District

4905C East Broadway Boulevard
Tucson, Arizona 85709-1300
Telephone (520) 206-4589
www.pima.edu

Audit Title	Audit(s) Date (Initial & Follow up Audits)	Number of Findings Issued	Number of Findings Open	Department/Area	Expected Completion Date * (Based on Audit Report)	New Expected Completion Date (Based on Follow-up)
Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning	May 26, 2016 & May 31, 2017	3	2	Director of Cybersecurity	May 2019	Dec. 2020
Comments: The remaining open items are related to formalizing disaster recovery planning processes and breach response planning. The new Director of Infrastructure Services and IT Architect Security are working on these items. The risk rating for the remaining open items is high.						
Intercollegiate Athletics Audit	Nov. 6, 2015 & Dec. 2, 2016	12	0	Executive Director for Athletics, Assistant Athletics Director, Athletics Director, Vice President of Student Development, Campus President, All PCC Athletics Head Coaches per sport	Dec. 2016 (longest date out)	Closed Jul. 2020
Comments: Ten items were closed in July 2020. Items were related to staff training and updating/formalizing policies and procedures.						
Key Controls Review	Jan. 6, 2017	3	1	Director of Facilities	Jan. 2017	Jun. 2023
Comments: Two items were closed in June and July 2020; items were related to formalizing procedures and policies. Management is currently working on the implementation of new physical access security equipment. The risk rating for the remaining open item is high.						
Procurement & Payment Services (Marketing & Advertising Request for Proposals (RFP) Vendor Selection Process Assessment)	Dec. 16, 2019	11	6	Director of Procurement & Payment Services	Mar. 2021 (longest date out)	Dec. 2020 & Mar. 2021
Comments: Three items were closed in November 2020; items were related to formalizing processes in procedures (e.g. vendor selection, evaluation committee training, etc.). The risk rating for the remaining open items range from low to medium.						
TOTAL		98	19	Percentage Closed 81%	Percentage Open 19%	

* Audit findings and expected completion date are based on the last report issued by the OIA.

** The OIA conducts follow-ups on audit findings based on management implementation date (e.g. prior to completion date).



Below are the Audit Findings Implementation Status:

Audit Findings Implementation Status				
	🟡	🟠	🟢	Total
Access and Disability Resources			3	3
Automotive Audit		1	2	3
Aviation Center Controls			6	6
Center for International Education and Global Engagement (Formerly International Student Services Office (ISSO))			11	11
Clery Act Compliance Continuous Monitoring			6	6
Contract Processes, Controls, and Administration Audit Report			3	3
Health Insurance Portability and Accountability Act (HIPAA)	8	1	28	37
Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning	2		1	3
Intercollegiate Athletics Audit			12	12
Key Controls Review(College-wide Building Security and Access Control Working Group Committee)	1		2	3
Procurement & Payment Services(Marketing & Advertising Request for Proposals (RFP) Vendor Selection Process Assessment)		6	5	11
Total	11	8	79	98



Implementation Status Classifications	Descriptions	Tickmark
Addressed /Completed	Implemented at 100% or risk/issue addressed	●
Substantially Complete > 50%	Substantially complete with more than 50% completion; but less than 100%	◐
Partially Complete ≤ 50%	Partially complete with less than 50% completion; but more than 0%	◑
No Progress	No progress observed or action taken	○

Note: Please note that items noted in the 2020 Center for International Education and Global Engagement audit are not included in the above matrix. Internal Audit will include this information in the next quarterly report.

The Office of the Internal Auditor followed-up with management on the open item related to the Arizona Auditor General audit; a new implementation date was provided by management.

Audit Title	Audit(s) Date (Initial & Follow up Audits)	Number of Findings Issued	Number of Findings Open	Department/Area	Expected Completion Date (Based on Audit Report)	New Expected Completion Date (Based on Follow-up)
Arizona Auditor General Year Ended June 30, 2019	December 18, 2019	1	1	Director of Records Management	June 2020	December 2020 (Substantially Complete)
Comments: A new implementation date was provided by the new Director of Infrastructure Services; "Change management policy is in draft as we are implementing starting 17 November 2020. Policy will be formally completed by 31 December 2020. Infrastructure services will be the first to implement in IT....."						
TOTAL		1	1	Percentage Closed 0%	Percentage Open 100%	

Note: The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) requires that Internal Audit follow-up upon the disposition of management's actions to address risks identified and to communicate the results to management. Internal Auditor updates the Internal Audit Findings Matrix when open items are followed-up with management (e.g. contact name, date, reason, status, etc.). Supporting documentation is requested and reviewed prior to closing a finding.



Audit Plan

The Detail Audit Plan is included below for Internal Audit activities and status.

ENGAGEMENT TYPE & DESCRIPTION*	TIMING		STATUS	RISK LEVEL**
	2019 - 2020	2020 - 2021		
<u>Audits / Projects:</u>				
Hiring Internal Auditor	Fall 2019		Complete	-
2019 College Risk Assessment & Audit Plan Report	Spring 2020		Complete	-
Marketing and Advertising Request for Proposal (RFP) Vendor Selection Process Assessment Internal Audit Report	Spring 2020		Complete	-
Center for International Education and Global Engagement	Spring 2020		Complete	Medium
Purchasing & Contracting & P-Card	Spring 2020		Planning	Medium
Health Insurance Portability and Accountability Act (HIPAA) Data Security		Fall 2020	-	High
Clery Act		Fall 2020	In Progress	High
Human Resources/Payroll		Fall 2020	-	Medium
Financial Aid and Scholarship		Spring 2021	-	Medium
Grants Management		Spring 2021	-	Medium
Enrollment Management		Spring 2021	-	Medium
Information Technology		Spring 2021	-	High
<u>Advisory Services:</u>				
Culture Survey	Spring 2020		Complete	-
Special Projects and Reviews		Fall 2020 – Spring 2021	-	-
Advising & Academic Support		Fall 2020 – Spring 2021	-	-
<u>External Audits Support / Follow-ups:</u>				
Arizona Office of the Auditor General’s Audit Support and follow-up	Spring 2020	Spring 2021	In Progress	-
Follow-up on Audit Findings*** (e.g. Access & Disability Resources (ADA); Automotive Audit; Aviation Center Controls; Center for International Education and Global Engagement; Clery Act Compliance Monitoring; Contract Processes, Controls, and Administration; Health Insurance Portability and Accountability Act (HIPAA) Data Security; Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning; Intercollegiate Athletics; Key Controls; Marketing and Advertising Request for Proposal (RFP) Vendor Selection Process Assessment)	Spring 2020	Fall 2020 - Spring 2021	In Progress	-

*Due to the dynamic environment of the College and risk environment, the plan will be reviewed quarterly and updated as necessary. Any changes or updates to the plan will be reviewed with the Finance and Audit Committee and the Board.

** Risk level is based on heat map reflected in audit plan. The significance of risks is assessed based on impact and likelihood.

***Internal Audit will complete an audit report for each audit engagement; the report will include audit scope, findings, recommendations and management responses (if deficiencies are noted). In addition, Internal Audit will complete a quarterly report with an update on the status of the audit findings based on management implementation date.



Important Compliance and Guidance Items:

Higher Learning Commission

September 24, 2020

Supplemental Frequently Asked Questions under Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

<https://www2.ed.gov/about/offices/list/ope/caresactsupplementalfaq63020-90820revision.pdf>

This website is being monitored by the Vice Chancellor for Educational Services and Institutional Integrity.

Higher Learning Commission

September 25, 2020

Establishing a Fixed Time Period of Admission and an Extension of Stay Procedure for Nonimmigrant Academic Students, Exchange Visitors, and Representatives of Foreign Information Media – Notice of proposed rulemaking.

https://www.federalregister.gov/documents/2020/09/25/2020-20845/establishing-a-fixed-time-period-of-admission-and-an-extension-of-stay-procedure-for-nonimmigrant?_cldee=a2NzQG5hY3VhLm9yZw%3d%3d&recipientid=contact-a299d128cf1ae511ac970050569e5b20-046680ddc8364095a23bcbad7d2bbf36&utm_source=ClickDimensions&utm_medium=email&utm_campaign=P2P%202020&esid=eb899da6-2704-eb11-812e-005056866fb1

This website is being monitored by the Vice Chancellor for Educational Services and Institutional Integrity.

U.S. Department of Education

October 1, 2020

The U.S. Department of Education released the 2021–22 *Free Application for Federal Student Aid* (FAFSA®) form. This launch comes as the Department continues to provide information, tools, and resources to help students make informed decisions about their education options.

<https://www.ed.gov/news/press-releases/department-launches-2021-22-fafsa-cycle>

This website is being monitored by the Vice Chancellor for Educational Services and Institutional Integrity.

U.S. Department of Education

October 9, 2020

Rescission of and Replacement for the 2016 Handbook for Campus Safety and Security Reporting.

<https://ifap.ed.gov/electronic-announcements/100920RescissionReplace2016HandbookForCampusSafetySecurityReporting>

This website is being monitored by the Vice Chancellor for Educational Services and Institutional Integrity.

Revenue Bond Projects - Inception to Date

FY=21 Period=14

<u>FUND</u>	<u>FUND_DESC</u>	<u>Revenues</u>	<u>Personnel</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance</u>
581999	Rev Bonds Control Fund	67,326,158	0	(443,102)	(17,533,297)	49,349,759
5R8000	RVB PROJ - Control	67,326,158	0	(443,102)	(17,533,297)	49,349,759
581001	RVB Proj -Advanced Mfg.New Bldg	0	0	(2,494,085)	3,664,331	1,170,246
5R8001	RVB PROJ - Applied Tech- Building	0	0	(2,494,085)	3,664,331	1,170,246
581003	RVB Proj - Transportation New Bldg	0	0	(10,388,013)	7,557,023	(2,830,990)
5R8002	RVB PROJ - AppTech COE AE WFD SS	0	0	(10,388,013)	7,557,023	(2,830,990)
581005	RVB Proj - ST Bldg Renovations	0	0	(272,484)	263,499	(8,985)
5R8003	RVB PROJ - AppTech Weld,Mach,Engr,M	0	0	(272,484)	263,499	(8,985)
581007	RVB Proj - AppTech Makerspace CAD	0	0	(1,787)	1,787	0
5R8004	RVB PROJ - AppTech Makerspace CAD	0	0	(1,787)	1,787	0
581011	RVB Proj -DC Copper RE	0	0	(1,373,263)	1,373,263	0
581009	RVB Proj -DC Frontier RE	0	0	(1,361,845)	1,361,845	0
581037	RVB Proj -DC CoE Program Space Renv	0	0	(438,321)	380,912	(57,409)
581036	RVB Proj -DC RE Infrastructure Dev	0	0	(95,900)	95,900	0
581034	RVB Proj -DC 333 W Drachman (FT2)	0	0	(1,712,800)	1,712,800	0
581032	RVB Proj -DC Historic Assessment	0	0	(44,376)	44,376	0
5R8005	RVB -DC Campus Expansion & Developm	0	0	(5,026,505)	4,969,096	(57,409)
581013	RVB Proj -PSI ESI	0	0	(35,480)	35,480	0
5R8007	RVB PROJ -PSEI EMSI	0	0	(35,480)	35,480	0
581015	RVB Proj -Science Labs	0	0	(538,658)	516,179	(22,479)
5R8008	RVB PROJ -Science Labs	0	0	(538,658)	516,179	(22,479)
581017	RVB Proj -Allied Health COE	0	0	(20,032)	20,032	0
5R8009	RVB PROJ -Allied Health COE	0	0	(20,032)	20,032	0
581019	RVB Proj -EC Bookstore/Food Svc	0	0	(49,443)	49,443	0
5R8010	RVB PROJ -EC Bookstore/Food Svc	0	0	(49,443)	49,443	0
581021	RVB Proj -DC Bookstore/Food Svc	0	0	(446,916)	446,916	0
5R8011	RVB PROJ -DC Bookstore/Food Svc	0	0	(446,916)	446,916	0
581023	RVB Proj -NW Bookstore/Food Svc	0	0	(3,642)	3,642	0
5R8012	RVB PROJ -NW Bookstore/Food Svc	0	0	(3,642)	3,642	0
581025	RVB Proj -WC Campus Store	0	0	0	0	0
5R8013	RVB PROJ -WC Bookstore/Food Svc	0	0	0	0	0
581027	RVB Proj -DV Cafe	0	0	0	0	0
5R8014	RVB PROJ -DV Bookstore/Food Svc	0	0	0	0	0

Revenue Bond Projects - Inception to Date

FY=21 Period=14

<u>FUND</u>	<u>FUND_DESC</u>	<u>Revenues</u>	<u>Personnel</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance</u>
500005	"Revenue Bonds" Revenue	0	0	0	0	0
5RVBND	Revenue Bond Funded Projects	0	0	0	0	0
		67,326,158	0	(19,720,146)	(5,870)	47,600,142

Financial Update and FY 2022 Budget Plans

Governing Board Study Session

Presented by: Dr. David Bea

December 7, 2020



Outline

- Budget development calendar
- Current economic conditions
- Financial indicators and stability
- College priorities and goals
- Fiscal year 2022 budget plans
 - Budget reality and assumptions
 - Structural tools

FY 2022 Budget Development Calendar

- January 13, 2021 Regular Meeting - Review Fiscal Year 2020 Comprehensive Annual Financial Report, financial metrics, and reserves
- February 3, 2021 Regular Meeting - Course fees presented as Information Item to the Board
- February 15, 2021 Study Session - Review the budget model and scenarios and provide direction to Administration
- March 10, 2021 Regular Meeting - Set tuition and service fees for 2021-2022 Academic Year
- April 14, 2021 Regular Meeting - Review and approve employee benefits, contractual obligations, and capital budget
- May 12, 2021 Regular Meeting - Review and approve publication of the proposed budget and, if required, Truth in Taxation Notification
- June 2, 2021 Public Hearing and Special Meeting - Set property tax rates and levies and adopt the final budget

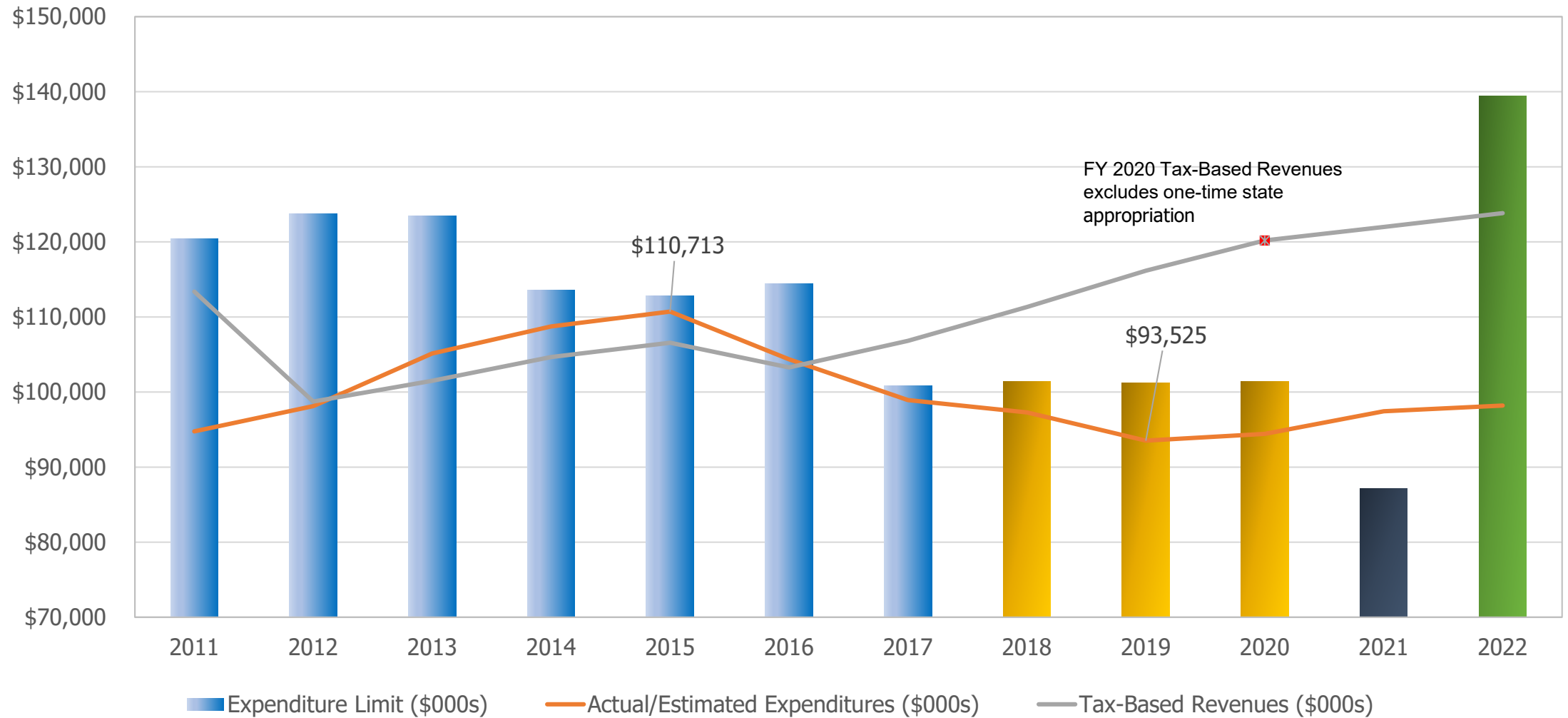


Current Economic Conditions



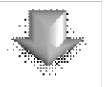
- Declining enrollment and decrease in tuition revenues
 - ~17% decline in FTSE as of December 2020 compared to December 2019
 - Uncertainty of COVID-19
 - Local and national demographic changes
- Decreasing other revenues due to COVID-19 impact
- Widespread economic hardship

- Election Propositions
 - Prop 481 (Re-set PCC base Expenditure Limit)
 - Prop 207 (Smart & Safe Arizona) - Impact projected in FY 2023 or FY 2024

Actual/Estimated Expenditures vs. Expenditure Limit

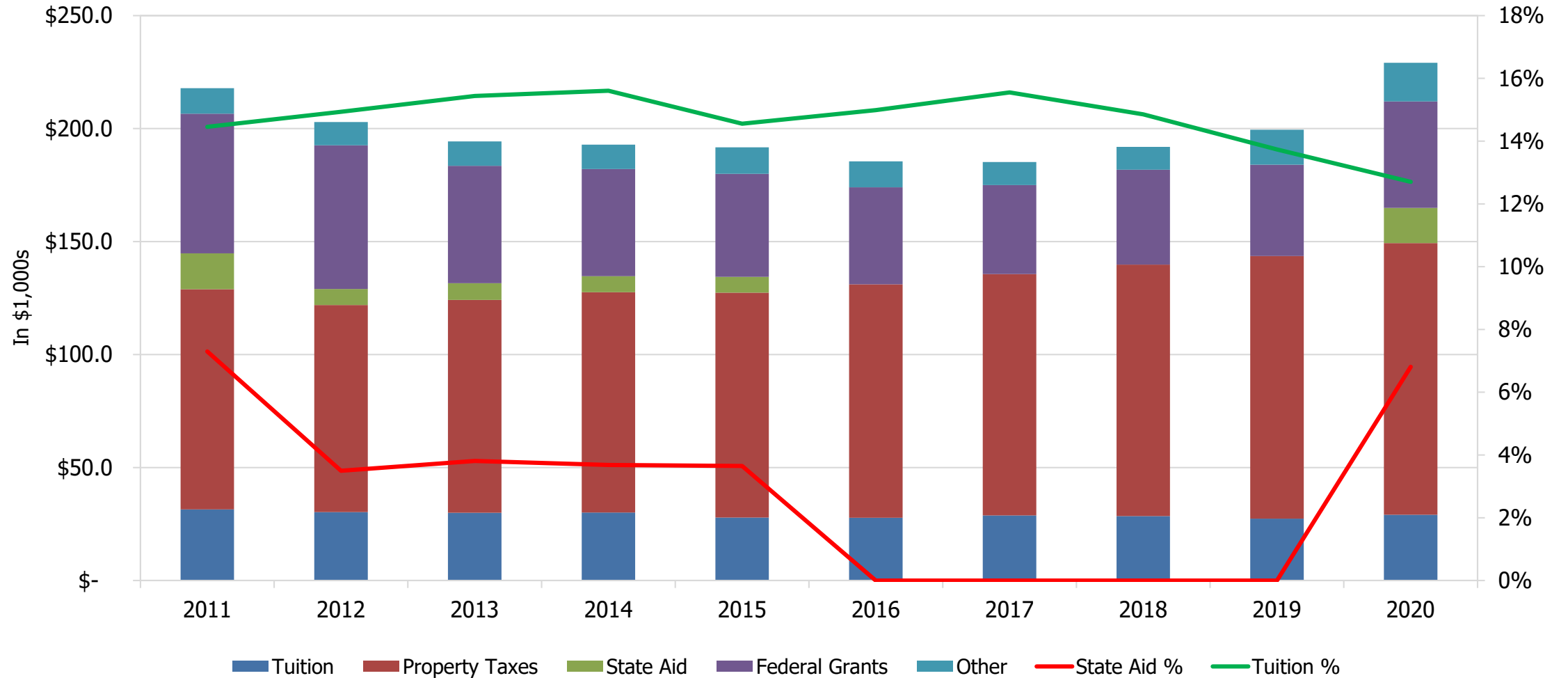


Financial Indicators

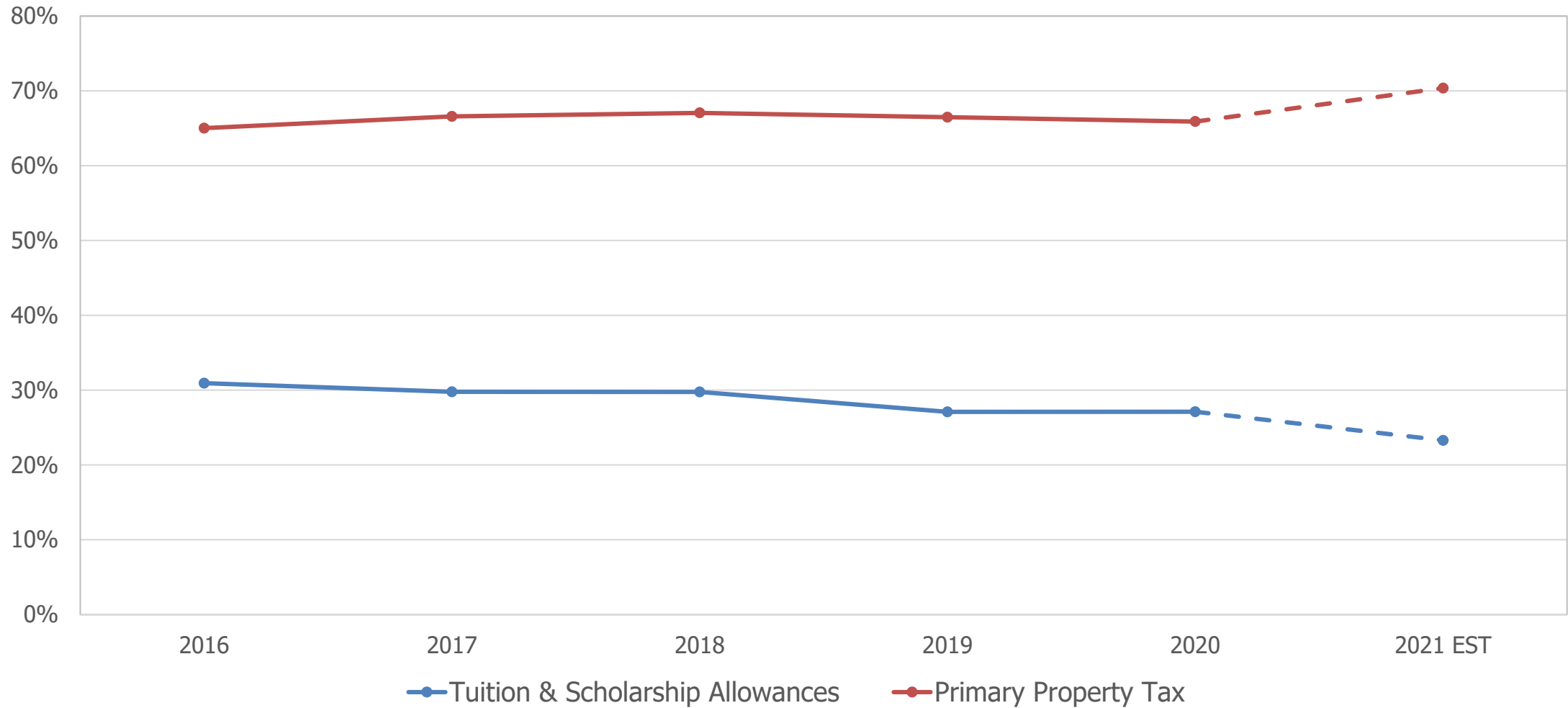
Key			
<u>Color</u>	<u>Level of Concern</u>	<u>Direction</u>	<u>Trend Indicator</u>
Red	Significant		Increase
Orange	Moderate		Maintenance
Green	Minimal to No		Decrease

Revenues by Type (\$mil) and % of Total for Tuition and State Aid

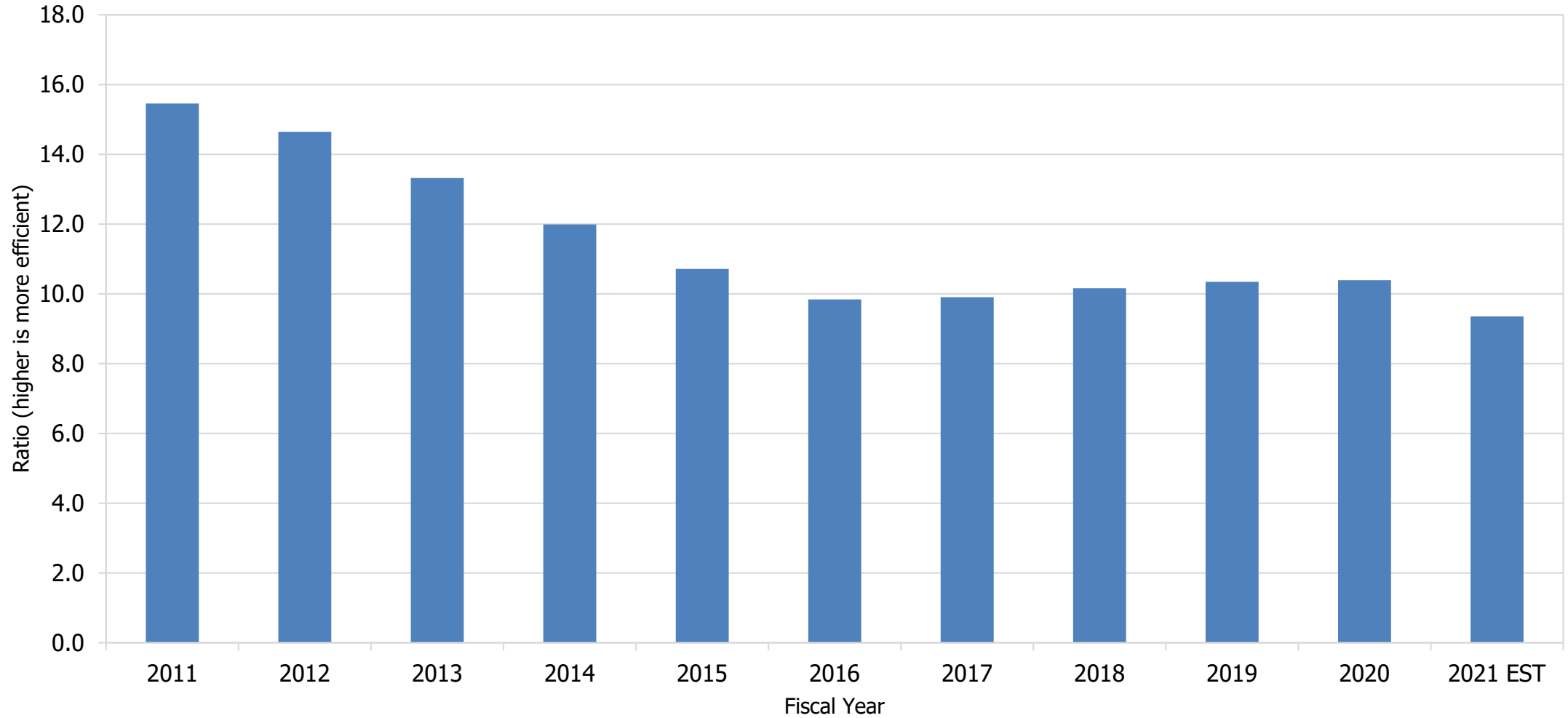
75



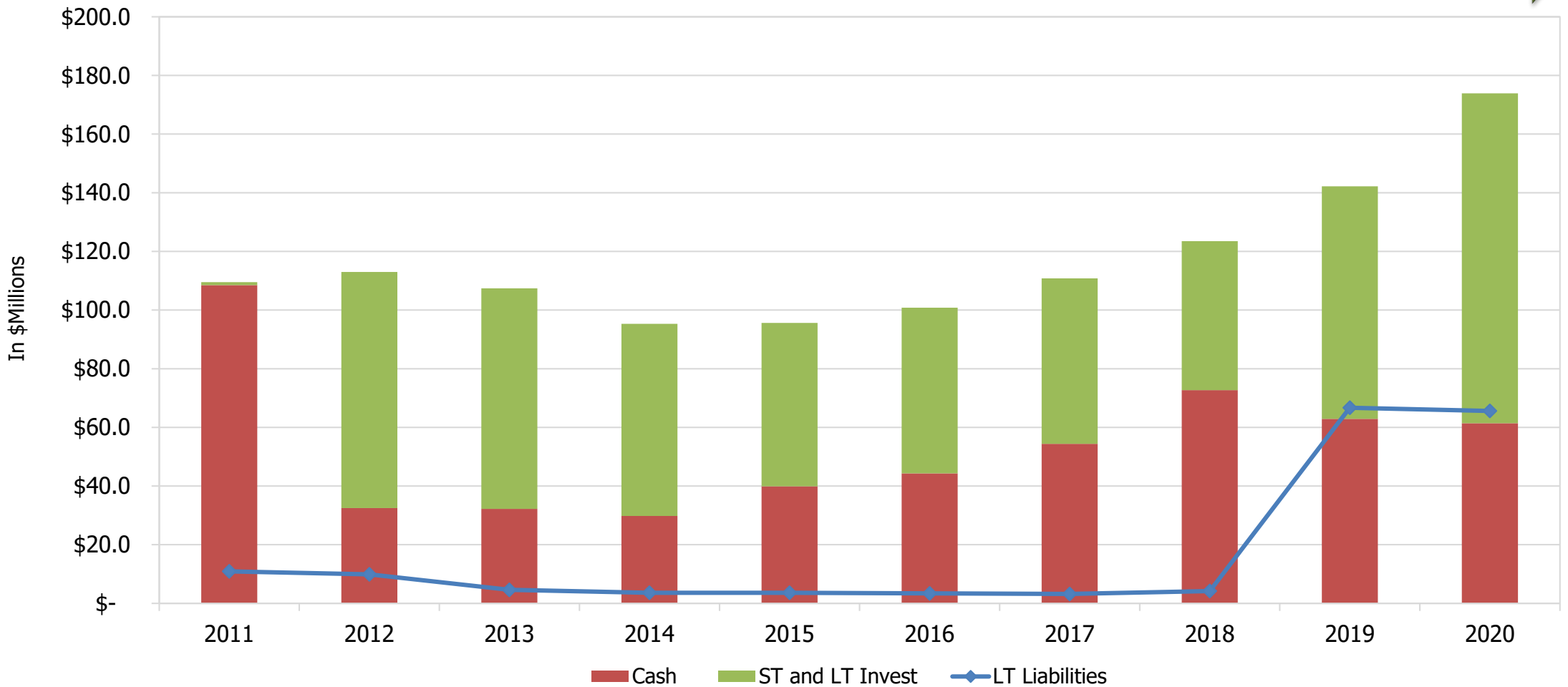
Share of Operating Revenues from Tuition & Fees and Primary Property Taxes



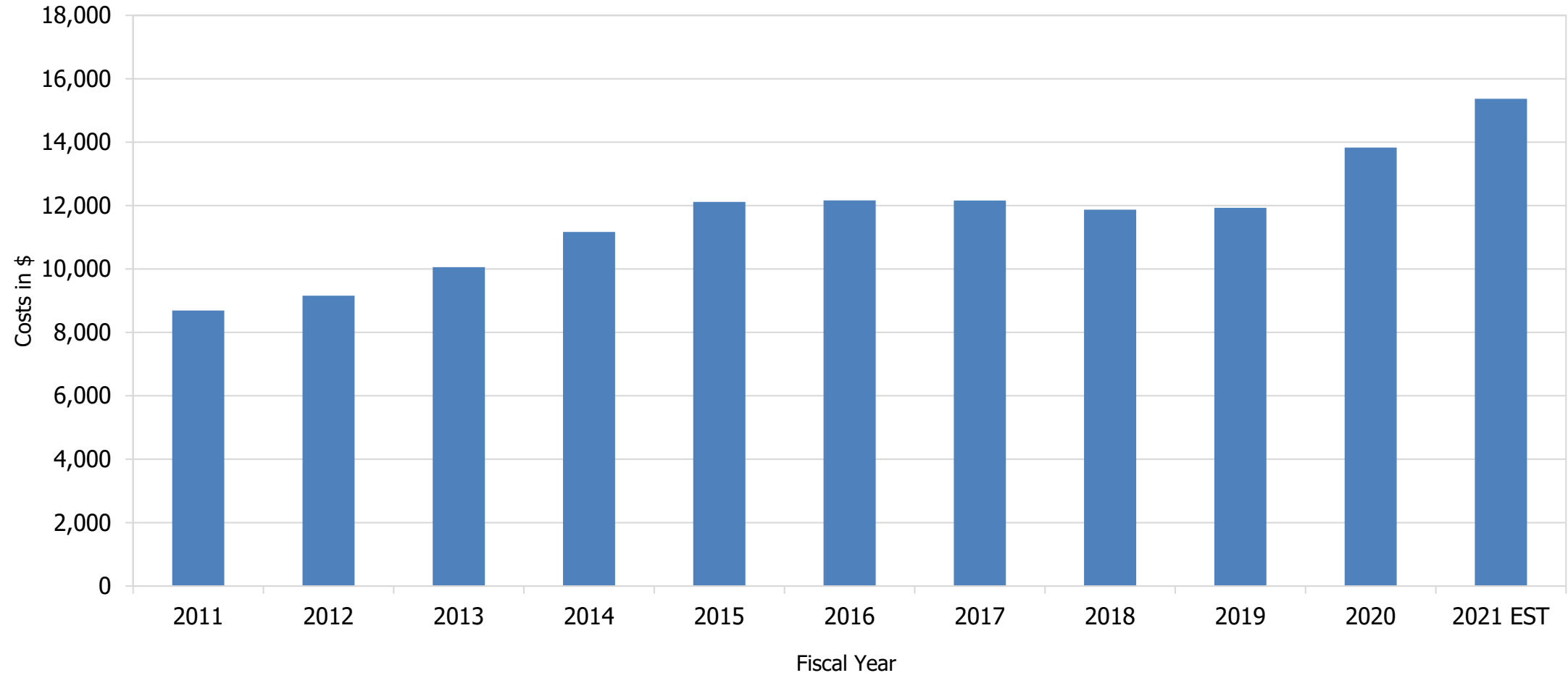
Full Time Student Equivalents per Full Time Employee



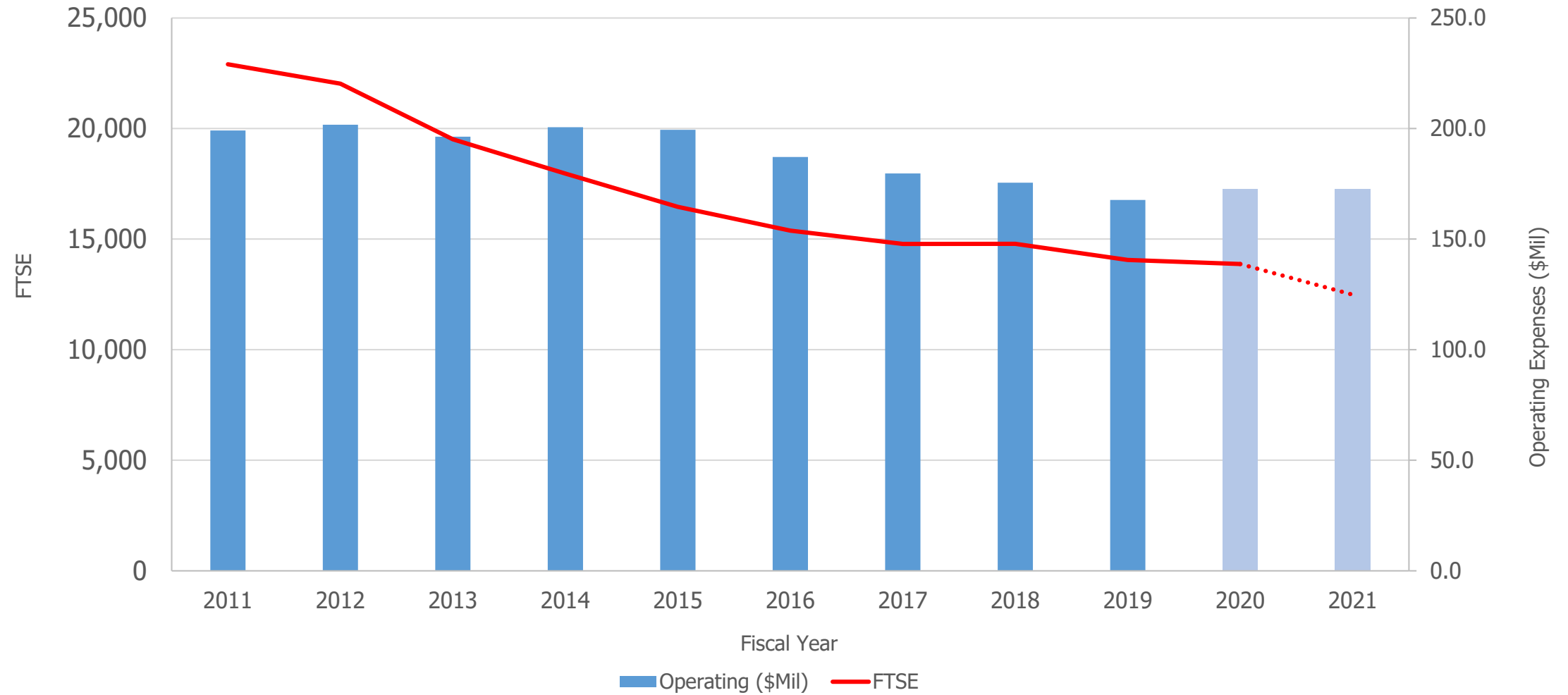
Cash and Investments vs. Long Term Liabilities



Total Costs per Full Time Student Equivalent



Operating Expenses vs. FTSE, FY 2011 to FY 2021



College Priorities and Goals, FY 2022 to FY 2024

- Funding College liabilities and contractual obligations
 - Health
 - Retirement (PSPRS)
 - Continuing COVID-19 impacts
 - Test Proctoring
 - STU
 - Insurance
- Classification and compensation
 - Completion of study
 - Funding the outcomes



College Priorities and Goals (continued)

- Prop 481 Priorities
 - Resource investment in PimaOnline
 - Continue establishment and enhancement of Centers Of Excellence
 - Investment to integrate technology in curriculum
 - Nursing
 - Aviation
 - CIS

FY 2022 Budget Assumptions and Reality

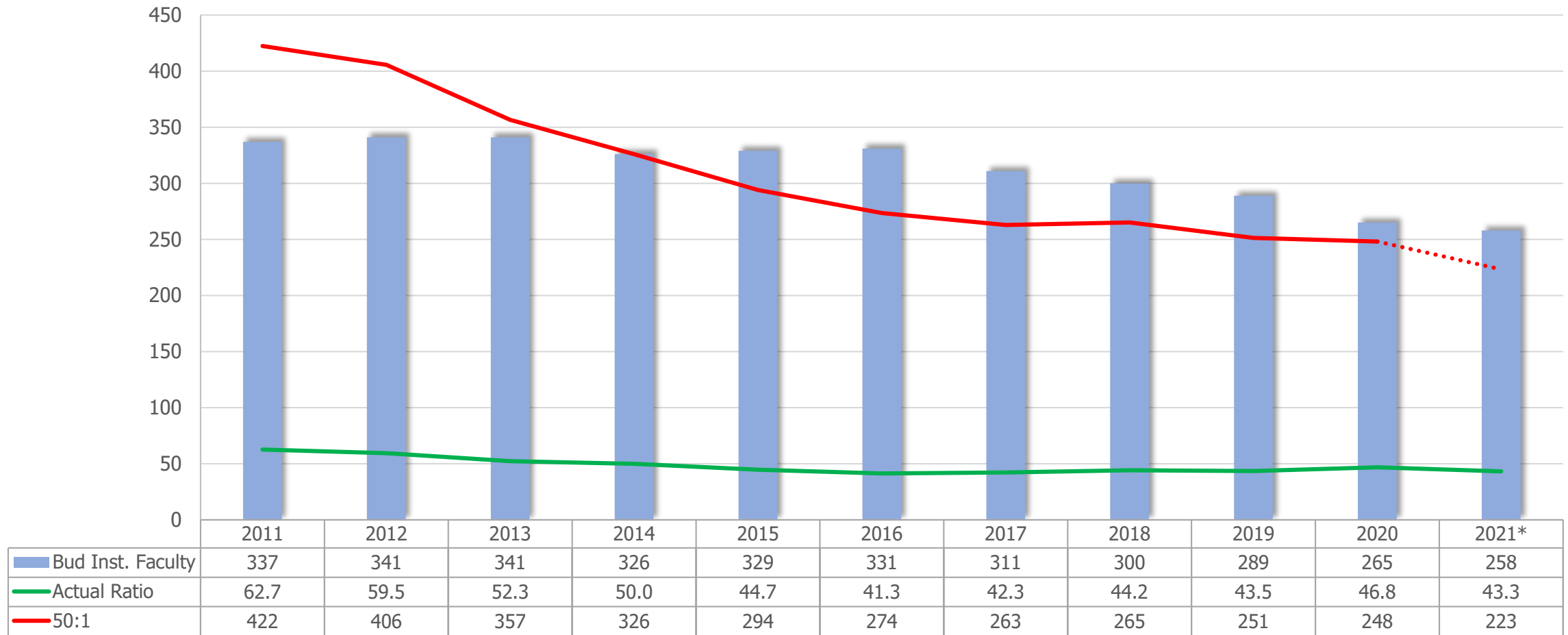
- Property tax levy
 - Growth (\$1.5 Million)
 - Collections
- Moderate tuition increase (~\$400K per \$1.00)
- Unlikely state support in FY 2022
- Decline in other revenues

Structural Budgeting Tools

- Financial stability and long-term sustainability
 - Academic and scheduling efficiency
 - Academic program viability
- Staffing ratios: advisors, full time faculty
- “Soft hiring freeze”
 - Reallocation of resources
 - Reduction via attrition
- Funding deferred maintenance and cyclical capital requirements
- Optimize physical spaces - resizing institution



50:1 Ratio, FY 2011 to FY 2021



**FY 2021 FTSE is estimated*



 **Keep striving.**



Pima County Community College District Board Policy

<i>Board Policy Title:</i>	Financial Controls and Institutional Budget
<i>Board Policy Number:</i>	BP 4.01
<i>Adoption Date:</i>	12/17/80
<i>Schedule for Review & Update:</i>	Every three years
<i>Review Date(s):</i>	7/18/14, 9/13/18
<i>Revision Date(s):</i>	11/10/09, 7/18/14, 9/13/18
<i>Sponsoring Unit/Department:</i>	Finance and Administration
<i>Motion Number:</i>	4048
<i>Legal Reference:</i>	ARS § 15-1444 and 15-1461
<i>Cross Reference:</i>	

The Governing Board expects the College to exercise prudent financial stewardship and support the College mission by:

- Complying with applicable laws, ~~and~~ regulations, processes, and procedures;
- Effectively and appropriately using College resources;
- Requiring reliable, timely, accurate, and transparent information about such use;
- Maintaining adequate resources, contingency plans, and reserves; and
- Implementing the budget approved by the Governing Board.

Therefore, the Governing Board delegates to the Chancellor or his/her designee, authority to:

1. Develop financial processes, procedures, and internal controls to manage the assets and financial operations of the College;
2. Develop an annual budget process in compliance with State law and applicable standards. The budget shall:
 - Support the College's strategic priorities;
 - Ensure the financial stability of the organization;

- Appropriately plan for long-term liabilities, bond covenants, and other financial commitments;
- Identify sources and amount of anticipated revenues; and
- Identify projected expenditures by fund, type, and unit.

A report of revenues and expenditures shall be submitted at least quarterly to the Board by the Chief Financial Officer.



Pima County Community College District Board Policy

<i>Board Policy Title:</i>	Cash Reserves <u>Financial Stability</u>
<i>Board Policy Number:</i>	BP 4.07
<i>Adoption Date:</i>	11/16/16
<i>Schedule for Review & Update:</i>	Every three years
<i>Review Date(s):</i>	
<i>Revision Date(s):</i>	11/19/19
<i>Sponsoring Unit/Department:</i>	Finance
<i>Motion Number:</i>	
<i>Legal Reference:</i>	ARS § 15-1461
<i>Cross Reference:</i>	

To ensure the long-term financial stability and vitality of the institution, appropriate reserve fund balances will be maintained and invested. The target minimum designated as operating reserves will be established as part of the annual budgeting process in an amount sufficient to maintain ongoing operations and programs for a minimum of nine months of average recurring operating costs.

1. To ensure financial stability in case of unexpected events, the District shall maintain in cash and cash equivalents reserves a minimum of ~~ten~~ **eight** percent of the estimated revenues of the current general and designated fund budgets.
2. The remainder of the reserves shall be allocated to short- and long-term investments in accordance with the District's risk preferences, liquidity needs, and investment objectives.
 - a. The Executive Vice Chancellor for Finance and Administration or designee shall develop and maintain standard operating procedures for

- investment of resources in compliance with statutory and regulatory requirements governing the placement of the District's public funds.
- b. The Governing Board's Finance and Audit Committee shall review and approve changes to the investment standard operating procedures.
 - c. Reports on investment activities shall be provided to the Governing Board's Finance and Audit Committee.
3. If the District's combined reserves fall below the target minimum threshold, a plan to restore balances to the minimum threshold within three years shall be included as part of the operating budget.
4. The Governing Board may designate reserves in excess of the threshold for specific capital or other long-term College initiatives. Any designated reserve amount shall be included in the calculation of the minimum reserve threshold.