



Governing Board's Finance and Audit Committee

Friday, February 19, 2021

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Ken Marcus, Scott Odom, Ben Tuchi, Daniel Soza (Ex-Officio), Jesus Manzanedo, Clarence Vatne, Agnes Maina (Ex-Officio), Maria Garcia

Guests:

Katherine Edwards Decker, Office of the Arizona Auditor General; Vice Chancellor Bruce Moses; Director David Parker; Internal Auditor Jose Saldamando; General Counsel Jeff Silvyn

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:04am, noting a quorum was met.

Action Items

2. Approval of Minutes from December 11, 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. 202102-01: Approve Minutes from December 11, 2020

First: Maria Garcia

Second: Jesus Manzanedo

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

Motion Carried.

Reports and Feedback

3. Office of the Auditor General (Katherine Edwards Decker)

Ms. Katherine Edwards Decker introduced herself, providing a description of her role in the publication of the Comprehensive Annual Financial Report, the Single Audit Report, and the opinions issued by the Office of the Arizona Auditor General.

The Single Audit had one finding, related to Information Technology (IT) controls - configuration and change management. Chair Nuckolls inquired if progress has been seen in this finding, with consideration to the COVID-19 pandemic. With the onset of COVID-19, resources had to be shifted to maintain District operations, and Ms. Edwards Decker believes progress has been made. This

finding dates to 2017, and although the issue was not resolved within Fiscal Year 2020, significant work was completed as of November 2020 as part of a multi-year plan. Ms. Edwards Decker expects that the remaining components of the finding will be remedied as of June 30, 2021.

Mr. Nuckolls thanked Ms. Edwards Decker for her work. Ms. Edwards Decker noted the ability of everyone to work remotely and the commitment to completing the audit on time.

4. Internal Audit Update (Jose Saldamando, Jeff Silvyn)

Mr. Jose Saldamando detailed the audits he is currently conducting, which include the Clery Act Compliance Audit and the Human Resources (HR) Audit. The purpose of the HR Audit is to follow up on the progress since the Baker-Tilly Audit from January 2015. Mr. Saldamando is also working with external entities on the Purchasing Audit.

Next, Mr. Saldamando provided a report on the status of open audit findings. In 2020, 79 out of 98 audit findings were resolved across Automotive, the Health Insurance Portability and Accountability Act (HIPAA), Information Technology, Key Controls Review, and Procurement and Payment Services. Related to HIPAA, Mr. Saldamando provided an extensive update on the progress, as some findings are related to work being completed in IT, and additional issues will be resolved through professional development training.

Mr. Nuckolls thanked Mr. Saldamando for the work to close open items through the provision of the right management tools. This is especially challenging for areas such as HIPAA, which are subject to federal regulations that continue to evolve, as does the associated technology and the testing required to implement the newest updates. Mr. Demion Clinco echoed this sentiment, as the resolution of Internal Audit findings builds confidence within the Governing Board.

Mr. Scott Odom inquired about the Key Controls finding and the rationale for the expected completion date, which is far into the future. Mr. Saldamando noted that these changes are being built into the annual budgets, and Dr. David Bea stated that the work is part of a large volume of currently ongoing projects. Ms. Agnes Maina provided the amount budgeted this fiscal year, noting that funds will be available as the projects are ready to be completed.

5. Update on Center for International Education and Global Engagement (CIEGE) (David Bea, Bruce Moses, Jose Saldamando, Jeff Silvyn)

Mr. Nuckolls introduced the topic, which is a follow up to a discussion from the December 2020 meeting of this Committee. Dr. Bea began with an overview of the CIEGE program's revenues and expenditures compared with the Full Time Student Equivalents (FTSE). A significant portion of the program's budget is tied to personnel, and there are now fewer staff and one less administrative position assigned to the CIEGE program. Dr. Bea spoke to some of the factors that led to the reduction in FTSE over time, as federal limitations made it more difficult to travel.

Ms. Maria Garcia asked about the Béalos program and the Arizona Sonora Tuition Waiver. The Béalos program was a grant, and Dr. Bruce Moses noted that the last iteration of the program was

two years ago. Dr. Moses also provided information about the modalities International students are utilizing to attend classes at PCC. Ms. Garcia had additional questions about the staffing levels and work-study. Dr. Moses showed organizational charts from 2019 to present, which demonstrate the reduction in staffing over time. He also described the functions of each of the roles in the department and how they support CIEGE and the College. The College will follow up on information regarding the tuition waiver program.

When Dr. Moses took over the area, he designed a three-year strategic plan for the department. The COVID-19 pandemic requires a recalibration of recruitment efforts, and Dr. Moses commended his staff for retaining International students, as the financial reports provided indicate that CIEGE enrollment is more stable than overall College enrollment.

Ms. Garcia would like more information related to Return on Investment for travel, as no one has traveled since March 2020. Dr. Moses noted that he is committed to streamlining the CIEGE program and making it both self-sufficient and creating a contribution back to the College. Ms. Garcia seeks to ensure students within the District are also being served at the highest level, and she expressed gratitude for the work of Dr. Moses. Mr. Clinco summarized the financial reports, stating that the program brings revenues into the College while also creating opportunities for both local and international students.

Mr. Saldamando concluded with an update on the CIEGE Final Audit Report, which was presented to this Committee in December 2020. He reviewed the findings, as well as the status of remediation. Chair Nuckolls stated the timeline is reasonable, and Ms. Garcia thanked Mr. Saldamando for his work.

6. Enterprise Risk Management (Bruce Moses, David Parker)

Dr. Moses introduced Mr. David Parker, the College's newly hired Director of Enterprise Risk Management (ERM). Mr. Parker provided a presentation on the definition of risk management, describing how it has changed over time. He also reviewed the stakeholders, as well as the role in governance and culture of the organization.

Mr. Nuckolls shared his experience, asking Dr. Bea to describe how ERM will be a tool for Finance. Dr. Bea described how ERM would be folded into budgeting processes in the future.

7. FY20 Comprehensive Annual Financial Report Presentation (Agnes Maina)

Ms. Maina presented the results of the FY20 Comprehensive Annual Financial Report, beginning with a year-over-year look at how revenues have changed. Looking ahead to FY21, revenues will decrease, as tuition is expected to be down approximately \$8-10M; revenues from commissions and rents will also be significantly reduced. Property taxes are expected to remain steady, and the Pima County Treasurer's Office has provided insight on the distribution of these revenues. Investment income will also be reduced due to the effects of the pandemic on the market. State appropriations,

including the one-time \$15.0M for the expansion of the Aviation Technology Program, were also discussed.

Ms. Maina moved on to the Operating Expenses by Type, describing how FY20 changed from the prior year. Of particular note were the changes in Employee Compensation and Benefits, which are a result of ongoing restructuring, the creation of new advisor positions, and reclassification of existing positions.

As far as the statement of Net Position, the FY20 increase in net position compared to the prior year was \$35.0M, which is the strongest performance the College has had in some time. Mr. Ben Tuchi inquired about the net pension liability, which has significantly decreased. Ms. Maina shared that the actuaries are typically one year behind the College's fiscal year, with the Arizona Statement Retirement System having a strong performance. Further, Dr. Bea stated that there have been a significant number of retirements, as well as a decrease in the number of positions at the College, that have affected the College's long term liability. Mr. Tuchi made a note on performance, and Dr. Bea described how contribution rates have increased to ensure strong performance. Mr. Tuchi also inquired as to the restricted net position, which Ms. Maina attributed to the funds for Aviation, some grants, and Prop 301.

8. Meeting Schedule (Tracy Nuckolls)

The April and June 2021 meetings will be rescheduled to accommodate the Futures Conference and the College's observation of the Juneteenth holiday.

9. CFO Update (David Bea)

The proceeds from the revenue bonds are being spent down as construction has ramped up significantly.

The February 15, 2021 Study Session presented an overview of upcoming budget activities. The College will be moving forward with a budget that will keep tuition and service fees at the current rates, and it will not seek to levy additional property taxes. Of note:

- The College will increase in-person offerings for Fall.
- Federal relief dollars will offset lost revenues and expenses as a direct result of the COVID-19 pandemic. This will free up existing resources for new initiatives to support enrollment.
- Expenditure Limitation has greatly increased as a result of the passage of Prop 481.

Information Items

10. Future Agenda Items

- a. Investment Update (April)
- b. Enrollment Trends (April)
- c. Prop 481 (April)
- d. Committee Membership (April)
- e. Revenue Bonds (April) – Compliance (Arbitrage, Bond Covenants)
- f. Integrated Energy Management Project (April)

g. Marketing

Adjournment

The meeting concluded at 11:00am.

Next Meeting:

April 9, 2021

Virtual Meeting - Zoom Webinar