PimaCountyCommunityCollegeDistrict

Governing Board's Finance and Audit Committee
Meeting Notice and Agenda*
Friday, December 9, 2022
9:00am
Virtual Meeting#

General Matters

1. Call to Order   Scott Odom   9:00am

Action Items

2. Approval of Minutes from October 21, 2022   Scott Odom   9:05am

Reports and Feedback

3. 2022 Fourth Quarterly Report   Jose Saldamando   9:10am

4. Three-Year Budget Plan for Fiscal Years 2024-2026   David Bea   9:35am

5. CFO Update   David Bea   10:05am
   a. Revenue Bonds
   b. Annual Audit Cycle
      i. Governmental Accounting Standards Board - GASB 87, Leases
   c. Fiscal Year 2023-2024 Budget Development Calendar
   d. Fiscal Year 2023 Capital Project Plan Update, First Quarterly Report

Effectiveness Discussion

Information Items

6. Future Agenda Items
   a. Marketing and Enrollment
   b. Workforce Update
   c. Adult Education
   d. Office of Dispute Resolution
   e. Space Usage
   f. College Credit Ratings (February)
   g. Annual Comprehensive Financial Report (February)

Adjournment

Next Meeting
February 17, 2023
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. Pursuant to A.R.S. 38-431.03(A)(3) the Committee may vote to go into executive session for discussion or consultation with legal counsel for the College.

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/95404497740

Or join webinar with the following methods
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    US: +12532158782,,95404497740# or +13462487799,,95404497740#

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    Webinar ID: 954 0449 7740
    Passcode: 385890

PimaCountyCommunityCollegeDistrict

Governing Board's Finance and Audit Committee
Friday, October 21, 2022
9:00am
Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:
Ken Marcus (Chair-Elect), David Bea (Ex-Officio), Jesus Manzanedo, Maria Garcia, Kathleen Witt, Laura Ward, Keri Hill (Recorder)

Not in Attendance:
Scott Odom (Chair), Ben Tuchi, Demion Clinco

Guests:
John Utter, RBC Global Asset Management; David Parker, Director of Enterprise Risk Management

General Matters

1. **Call to Order**
   The conversation began at 9:07 am, with a note that the meeting would be called to order after the quorum was met. Chair-Elect Marcus called the meeting to order at 9:33am noting a quorum was met.

Action Items

2. **Approval of Minutes from August 26, 2022**
   Chair-Elect Marcus asked if the Committee had any changes to the minutes. With no changes, a motion was made to approve the minutes.

   Motion No. 202210-01: Approve Minutes from August 26, 2022
   First: Jesus Manzanedo
   Second: Kathleen Witt
   Vote: Motion passed unanimously (Marcus, Manzanedo, Garcia, Witt voting in favor)
   Motion Carried.

Reports and Feedback

3. **Investment Report (John Utter)**
   The conversation began at 9:07 am, with a note that the meeting would be called to order after the quorum was met.

   Mr. Utter began his report with the 1-3 Year Portfolio and the current bond market. Given the changes to interest rates, the College is again receiving a healthy return on its investments, with a

4.31% market yield as of September 30, 2022. The Ultra Short Portfolio and its characteristics were then reviewed.

Ms. Witt joined the meeting in progress.

The report continued with an overview of the global backdrop, the actions of the Federal Reserve, and current financial conditions. A recession is increasingly likely in 2023. International inflation levels continue to be a concern, with demographics and technology serving as a headwind. Potential additional rate hikes by the Federal Reserve and the implications were discussed, with a note about the continued strength of the U.S. Dollar.

Regarding the overall outlook, Europe and China are facing a recession sooner than the U.S., and the Federal Reserve is determined to bring inflation under control. Chair-Elect Marcus inquired about the conditions related to the interest rates, given the slowdown in the housing market and the low unemployment rates. Mr. Utter stated that while mortgage rates have doubled in a short period, it will be approximately six months before the effects can be evaluated.

Mr. Manzanedo inquired about the College's strategies for navigating the market. Mr. Utter stated that short-duration, fixed-income, and high-quality investments keep risk low. Dr. Bea noted that these funds could continually be reinvested at maturity for better interest rates. Mr. Utter also stated that an investment could be sold at a loss if a better opportunity is available. An increase in investment revenues will also help the College's budget, likely at the end of the current fiscal year or the start of the next fiscal year.

With no further questions, Mr. Utter concluded his report.

4. **Serving on a Public Board (Jeff Silvyn)**
   Mr. Silvyn began by thanking the members of this Committee for their service, stating that he recently presented this topic to the Governing Board's Enrollment and External Relations Committee. Mr. Silvyn began with a review of the Arizona Public Meeting Law, the definition of a public body, and a review of the requirements for public meetings. He continued with a review of Executive Session processes; any questions about a topic may be sent to the Office of the EVC for Finance and Administration or to the Office of General Counsel.

   Mr. Silvyn continued with the definition of a meeting and reviewed it within the scope of this Committee. He provided some examples of activities that qualify under the law as a "meeting" and mechanisms to agendize a meeting topic through College staff. He continued with examples of Executive Session meetings and their requirements, including disclosures and potential legal actions.

   Another aspect in Arizona is the Public Records Law, which applies to public bodies and their committees and is subject to records preservation and requests. He continued with a review of an Arizona Court decision related to the use of personal vs. government systems.

Ms. Garcia departed the meeting, and the quorum was no longer met.

Conflict of interest is also defined in state statute, and Mr. Silvyn provided an example of when it applies. While it is not likely to apply to the work of this Committee, an email can be sent to the Office of the EVC or to General Counsel to disclose any potential concerns.

Mr. Marcus thanked Mr. Silvyn for his report, noting that it is good to have a reminder on these topics. Dr. Bea stated that the notice sent in emails from his office is related to the subject of Mr. Silvyn's report.

5. **Enterprise Risk Management (ERM) and Compliance Report, October 2022 (David Parker)**
   Mr. Parker introduced his report with a note on staffing changes and summer availability, which has impacted progress. The evaluation of ERM platforms has led to a realization that the concepts in development for the College can be tweaked to fit these solutions better. Three potential platforms would work for ERM at the College.

   A recent stakeholder meeting provided several insights, as summarized in the report. Alignment with the College's integrated planning framework is critical, as is evaluating upside risks. Additionally, the risk appetite statement works well for large projects, and a simplified model would help with daily activities.

   Mr. Parker continued with the operational/insurance risk update. Cyber insurance remains a challenge, despite the great work done by the College, given the insurer's specific criteria lists which change annually.

   Title IX compliance oversight is being established within the Compliance and Ethics programs. Mr. Parker will serve on the Steering Committee to develop the College's assurance argument for the Higher Learning Commission.

   With no further questions, Mr. Parker concluded his report.

6. **CFO Update (David Bea)**

   a. **Revenue Bonds**
      The inception-to-date report for the revenue bonds was provided as information. The College held a ribbon-cutting ceremony yesterday at the expanded Aviation Technology Center.

   b. **Classification and Compensation Study Update**
      An update was recently provided to the Governing Board in September on the classification and compensation structure status. Dr. Bea noted the challenges with this implementation and the opportunities for additional communications. The College created an Appeals Process, and the Classification and Compensation department reviews them. Many appeals were related to

years of experience and job descriptions/titles. To date, a total of 350 appeals have been received, with approximately half of them resolved. The initial implementation has helped with salary compression for staff, who were clustered at step 1, and faculty, who were clustered at step 6 on the scales.

Ms. Ward joined the meeting in progress, which reinstated the quorum.

The College is working through challenges with the employee groups, and all employees received a minimum increase of at least $2,000 over the prior year. The market-based structures will enable the College to attract and retain talented employees.

c. **Three-Year Budget Plan for Fiscal Years 2024-2026**
The ongoing commitment to the new classification and compensation program is the most significant component of the plan. Calculations for the annual obligations, including increases with gained years of experience, will be completed after the College concludes the Appeals Process. On the revenue side, the College has additional property tax capacity that will be discussed with the Board, Prop 207 (Smart and Safe Arizona) funds, and investment revenues (as discussed earlier). The plan will also focus on reallocating resources and reviewing the total number of employees given the enrollment.

On a related note, with Daniel Soza's retirement and the departure of Agnes Maina, the College will be recruiting an Assistant Vice Chancellor for Finance and exploring a realignment to consolidate accounting and budgeting functions.

d. **Higher Learning Commission (HLC) Update**
The Higher Learning Commission's focused visit in March led to a recently completed outcome by the accreditor. A Pima-All email was sent, and it will be forwarded to this Committee. Dr. Bea spoke about the process and the time needed for the HLC to issue a statement.

e. **Moody's Issuer Comment**
A copy of a recent Issuer Comment completed by Moody's was provided as information. While not a formal ratings action, it does restate the College's strong credit rating and reinforces the College's efforts to adapt to the changing educational environment. Ms. Witt asked for the College's ratings and how they impact interest rates, and the historical context of the College's ratings was also discussed. Dr. Bea will bring back additional information about the College's ratings and the context with other higher education institutions.

f. **Certificate of Excellence in Financial Reporting Awarded by the Government Finance Officers Association**
Presented for information, the College has received this award for 31 consecutive years. It is another indicator of the College's commitment to financial reporting and transparency of information.

Mr. Marcus congratulated the College on this achievement.

Information Items

7. Future Agenda Items
   a. Marketing and Enrollment
   b. Workforce Update
   c. Adult Education
   d. Office of Dispute Resolution
   e. Space Usage
   f. College Credit Ratings (February)
   g. Annual Comprehensive Financial Report (February)

Adjournment

The meeting adjourned at 10:37am.

Next Meeting:
December 9, 2022
Virtual Meeting - Zoom Webinar

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Tucson, Arizona 85709-1300
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Pima County Community College District

Office of the Internal Auditor Executive Summary Quarterly Report
December 2022

The Office of the Internal Auditor Executive Summary Quarterly Report provides an overview of the department activities during the fourth quarter of 2022. The report includes four sections: General Department Update, Audit Recap, Audit Plan and Important Compliance and Guidance Items.

General Department Update

The Office of the Internal Auditor (OIA) continues to monitor and follow-up with management on all open audit findings. During the past quarter, the Internal Auditor checked periodically on the status of actions to address findings in the following areas: Automotive Technology Audit, Information Technology Risk Assessment Review, Key Controls Review, 2020 CIEGE Audit, Clery Act Compliance Audit, Procurement and Contracts Audit, and Construction Projects Business Process Review. See the Audit Recap section below for more details.

Internal Audit is currently conducting the Grants Management Audit. The objectives for this engagement are to: evaluate the effectiveness and efficiency of administrating grant funds, evaluate the policies and procedures in place, and provide recommendations to improve grant management activities to make them more effective and efficient. A draft report will be issued soon.

Internal Audit is planning the Human Resources (HR) Audit. The objective for this audit is to perform a risk assessment of Pima Community College's HR functions key controls. An entrance meeting will be scheduled soon. More details will be provided in the next quarterly report.

The Office of the Internal Auditor (Internal Audit) completed a review of an appeal by an Adjunct Faculty Member of an investigation conducted by the Office of Dispute Resolution (ODR). Per the ODR Complaint Procedure, the scope of this review was limited to whether there was an error in the investigation process. Based on the review, Internal Audit did not find any significant errors, and, as a result, the appeal was denied.

Internal Audit has delayed its Safety and Security review until True North Consulting Group (TNCG) shares final results, so that those results may inform and focus the Internal Audit review. As indicated during the past quarterly updates, the Facilities Management Department contracted with TNCG to perform a Security Master Plan Points of Interest. The review included a Comprehensive Security Threat, Risk, and Vulnerability Assessment; On-site Security Assessment; and an Analysis and Recommendation report.

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On September 28, 2021, Internal Auditor followed up with the Vice President of Student Affairs and Dean of Student Affairs regarding the re-implementation of student identification (ID) cards. Since the pandemic, the College ceased issuing physical ID cards; students present proof of a government issued ID and share their Pima issued student ID number when accessing services such as admissions, registration, advising, counseling, testing, cashiering, library, and tutoring. The oversight for student IDs has shifted from the Accounts Receivable Department to Student Affairs. The college has contracted with Touchnet to provide digital student IDs. The implementation date for this process is February 2023.

Internal Audit attended the Security and Access Control Work Group (SACG) meetings during the months of August to November. The role of Internal Audit is to assess and make recommendation on the effectiveness of the existing and new/proposed controls. Attendance at these meetings also allows Internal Auditor to monitor progress on the access control project, which will take until 2023 to complete. The group meets every two weeks.

Internal Audit continues to work with the Strategy, Analytics and Research (STAR) Department and management from various departments on College-wide projects. Some of these projects include: Job Placement Rates (e.g. to ensure programs are meeting the needs of students and industry through the Office of Economic Opportunity statewide employment portal project) and Information Technology Data Security Committee.

Internal Audit is pleased to announce the launch of the Fall 2022 Newsletter; it is published in Pima Community College's intranet. Please see a copy of the newsletter attached to this report.

During this quarter, Internal Auditor attended several virtual webinars. Some of these include: Protect Your Higher Education Institution from Fraud Schemes offered by Moss Adams; Equity in Data Analytics offered by PCC Strategy, Analytics and Research Department; and PCC Wellness Webinars. The Moss Adams webinar offered Continuing Professional Education (CPE) credits.

Audit Recap

Internal Audit continues to monitor and follow-up with management on all audits with open items for both current and past audit engagements (Automotive Audit, Information Technology Risk Assessment Review, Key Controls Review, 2020 Center for International Education and Global Engagement Audit, Clery Act Compliance Audit, Procurement and Contracts Audit, and Construction Projects Business Process Review (CPBPR)). It should be noted that the IT Risk Assessment and CPBPR noted observations were included in the Audit Findings Tracking Database. In this quarter there were five (5) findings closed. Currently there are eighteen (18) findings closed (39%) and twenty-eight (28) findings open (61%) as depicted below.

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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)
Automotive Audit	Mar. 23, 2017	3	1	Dean of Applied Technology	Mar. 2019 (longest date out)	Mar. 2023
Comments: Strategy, Analytics and Research (STAR) management is working on the remediation for this item (job placement rates to ensure programs are meeting the needs of students and industry; a college-wide project). Based on the last update, a Data Sharing Agreement between PCC and the Office of Economic Opportunity (OEO) is in progress. Access to the OEO portal will be available in late Spring 2023. STAR will develop a public facing dashboard with job placement outcomes to show PCC contributions to the Arizona economy. The risk rating for the remaining open item is low.						
2020 Center for International Education and Global Engagement	Nov. 20,2020	5	0	Vice President of International Development & Vice Chancellor for Educational Services and Institutional Integrity	Apr. 2021 (longest date out)	Aug. 2022
Comments: The remaining open item was closed in this quarter. The job description was updated, and training was provided to staff working at the Educational Orientation Window (EOW) at the Consulate of Mexico, Tucson Office. In addition, the Memorandum of Understanding (MOU) clarifying the roles for each party was updated and signed by the college and consulate in June 2022.						
Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning	May 26, 2016 & May 31, 2017	3	0	Director of Cybersecurity	May 2019	*Dec. 2022
*Comments: Since this item was also identified during the most recent IT Risk Assessment Review, IA will be monitoring the remediation progress in this review. IT Management implemented the Disaster Recovering Plan (DRP) Policy. Based on the last update, DRP testing continues on key applications. Data centers DRP testing will follow. IT Management is working on the remediation of this item. The risk rating for the remaining open item is high.						

Pima County Community College District

| 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)
Key Controls Review	Jan. 6, 2017	3	1	Director of Facilities	Jan. 2017	Jun. 2023
Comments: This item is expected to be complete by the end of this fiscal year. Current percentage of completion for card access plan is approximately 80% across the District Perimeter door plan. Most campuses card access plans are complete with minor adjustments (on existing buildings). Northwest campus card access installation is in progress. In addition, progress has been made on the installation of other security equipment (e.g. video surveillance; several camera servers are being configured; twenty-five additional Traka cabinets were installed, etc.). The risk rating for the remaining open item is medium.						
Clery Act Compliance Audit	May 25, 2021	4	1	Public Safety Management	Mar. 2022 (longest date out)	Mar. 2023
Comments: The remaining open item is related to the training of all Campus Security Authority (CSA) staff. The Clery Act Compliance Officer, Public Safety Management and Organizational Effectiveness & Development Manager are currently working on the remediation of this item. The risk rating for the open item is currently low.						
Procurement and Contracts Audit	6/30/2021	1	0	Procurement and Payment Services Management	Dec. 2021	Aug. 2022
Comments: The remaining open item was closed in this quarter. The noted item was an auditor recommendation to further strengthen the internal controls related to vendor maintenance (i.e. remove duplicate and inactive vendors). The Vendor Maintenance Unit Procedure Guide was updated reflecting the new processes (e.g. Vendor Address Comparison process and Vendor Termination – Yearly Process). The risk rating for this item is low.						
Construction Projects Business Process Review	8/31/2022	6	5	Facilities Management / Finance Management	Jul. 2023 (longest date out)	Jul. 2023
Comments: There was one item closed in this quarter. This item was related to budget development; currently all key stakeholders are involved in each construction phase. The remaining open items are related to department organizational structure, budget monitoring processes, payment of construction billings, project management procedures, and reconciliation of expenditures. The Facilities and Finance Management are currently working on the remediation of these items. The risk rating for the open items ranges from low to medium.						

Pima County Community College District

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 Risk Assessment Review	8/31/2022	21	20	Information Technology (IT) Management / Human Resources (HR) Management	Dec. 2024 (longest date out)	Dec. 2024
Comments: There was one item closed in this quarter. This item was related to shared accounts; this is addressed in policy and management will continue to monitor and handle as they arise. The remaining open items are related to training and awareness monitoring; updating policies and procedures; equipment monitoring/tracking; additional protection opportunities for IT systems; additional background screening for key IT staff; formal processes for user account/account modification & removal; opportunities to enhance vendor access processes; Disaster Recovery Plan; and backup information processes. IT and HR Management are currently working on the remediation of these items. The risk rating for the open items ranges from low to high.						
TOTAL		**46**	**28**	**Percentage Closed 39%**	**Percentage Open 61%**	

* Audit findings and expected completion date are based on the last report issued by Internal Audit.
** Internal Audit conducts follow-ups on audit findings based on management implementation date (e.g. prior to completion date).
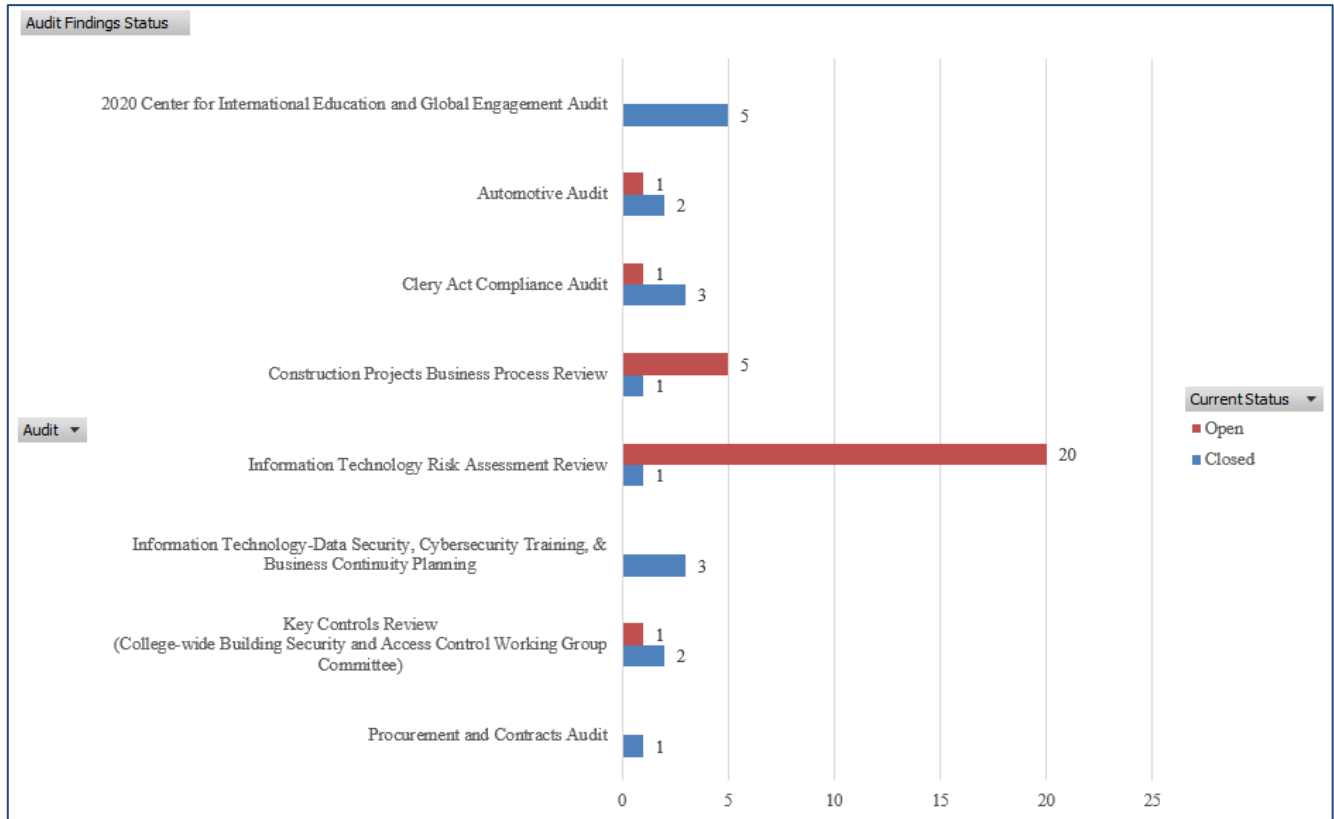
Pima County Community College District

Below are the Audit Findings Implementation Status:

Audit Findings Implementation Status	◐	◔	●	Total
Automotive Audit	1		2	3
Information Technology-Data Security, Cybersecurity Training, & Business Continuity Planning			3	3
Key Controls Review(College-wide Building Security and Access Control Working Group Committee)	1		2	3
2020 Center for International Education and Global Engagement Audit			5	5
Clery Act Compliance Audit	1		3	4
Procurement and Contracts Audit			1	1
Construction Projects Business Process Review	3	2	1	6
Information Technology Risk Assessment Review	1	19	1	21
Total	**7**	**21**	**18**	**46**

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	○

The Arizona Auditor General is currently conducting the Financial Statement Audit for year ended June 30, 2022. Results will be provided in early 2023.

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.

Pima County Community College District

Audit Plan

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

ENGAGEMENT TYPE & DESCRIPTION*	TIMING		STATUS	RISK LEVEL**
Audits / Projects:	*FY22 (2021 – 2022)*	*FY23 (2022 – 2023)*		
2022 College Risk Assessment & Audit Plan Report	Spring 2022		Complete	-
Information Technology	Spring 2022		Complete	High
Construction Projects Business Process Review (Facilities Management)	Spring 2022		Complete	High
Safety and Security (Facilities Management)	Fall 2021		On Hold	Medium
Grants Management		Fall 2022	In Progress	Medium
Human Resources/Payroll		Fall 2022	Planning	Medium
Governance		Spring 2023	-	Medium
Enrollment Management		Spring 2023	-	Medium
Advisory Services:				
Special Projects and Reviews		Fall 2022 – Spring 2023	Ongoing	-
Advising & Academic Support		Fall 2022 – Spring 2023	Ongoing	-
External Audits Support / Follow-ups:				
Arizona Office of the Auditor General's Audit Support and follow-up	-	Fall 2022	-	-
Follow-up on Audit Findings* (e.g. Automotive Audit; 2020 Center for International Education and Global Engagement; Clery Act Compliance Audit; Information Technology Risk Assessment; Key Controls; Procurement and Contracts Audit, and Construction Projects Business Process Review).	Fall 2021 - Spring 2022	Fall 2022 - Spring 2023	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 issue 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 issue a quarterly report with an update on the status of the audit findings based on management implementation date.

Pima County Community College District

Important Compliance and Guidance Items:

U.S. Department of Education   **October 27, 2022**
Education Department Unveils Final Rules to Protect Veterans and Service Members, Improve College Access for Incarcerated Individuals and Improve Oversight When Colleges Change Owners
https://www.ed.gov/news/press-releases/education-department-unveils-final-rules-protect-veterans-and-service-members-improve-college-access-incarcerated-individuals-and-improve-oversight-when-colleges-change-owners
This website is being monitored by the AVC for Curriculum Quality Improvement.

U.S. Department of Education   **October 13, 2022**
The U.S. Department of Education Guidance on Banking Arrangements in Financial Aid.
https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-10-13/cash-management-tier-one-and-tier-two-arrangements
This website is being monitored by the AVC for Curriculum Quality Improvement.

U.S. Department of Education   **October 3, 2022**
Hundreds of Millions of Dollars in Funds to Increase the Number of School-Based Mental Health Providers in Schools Provided Through the Bipartisan Safer Communities Act
https://www.ed.gov/news/press-releases/hundreds-millions-dollars-funds-increase-number-school-based-mental-health-providers-schools-provided-through-bipartisan-safer-communities-act
This website is being monitored by the AVC for Curriculum Quality Improvement.

PimaCommunityCollege

Office of the Internal Auditor Newsletter

Fall 2022

Contact Information:

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Office of the Internal Auditor Purpose

The Office of the Internal Auditor (Internal Audit) is an independent, objective, assurance and consulting services designed to add value and improve the operations of Pima Community College (PCC).

Internal Audit helps PCC better accomplish its objectives by: assessing risk across the College; determining whether or not internal controls are in place and effective; making recommendations to improve efficiency and effectiveness of operations; assessing compliance with policies, procedures, laws, and regulations; providing consultation on the application of internal controls; assisting with investigations to analyze and evaluate of reports of suspected wrongdoing or non-compliance; assisting with maintaining effective controls and promoting continuous improvement and an ethical culture.

Internal Audit develops a yearly audit plan that is reviewed and approved by the Chancellor and the Board's independent Finance and Audit Committee. The audit plan is based on an annual risk assessment (identification of risk categories/areas) and requires input from senior leadership, operational management, legal, and others. The audit plan includes audits, special projects, consulting activities, external audits support and follow ups on audit findings.

Internal Audit perform work consistent with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing. Please visit the IIA site for more details: **https://www.theiia.org/en/standards/**

What is Risk, Risk Assessment, and Internal Controls

Risk is the possibility that an event, action or non-action will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully. Risk is measured in terms of consequences and likelihood.

Risk Assessment is the identification and analysis of relevant risks to the achievement of an organization's objective in order to determine how those risks should be managed. In other words, it is an analysis of what could go wrong.

Not all risks are equal. Some are more likely than others to occur, and some will have a greater impact than others if they occur. Once risks are identified, their probability and significance must be addressed.

The risk assessment is an ongoing process, internal and external threats constantly develop, presenting new exposures to the College. Risks that are proactively identified in the Risk Assessment help provide an opportunity for senior management to develop a response (a management action plan) that will lead to desired positive results and outcomes. Strategies for addressing risk might seek to lower the probability of an adverse event, reducing the impact of an adverse event, or shifting the risk away from the College. For example, compliance and regulatory risks may be reduced by providing regular employee training on specific compliance requirements and developing strong internal controls to limit risks to the College (e.g. required annual IT security awareness training, etc.); for other risks, the College might purchase insurance or require a vendor to assume part of the risk.

Internal Controls are tools managers use to manage risks. An internal control system is made up of procedures, policies and measures designed to make sure an organization meets its objectives and mitigate risks that can prevent an organization from meeting its objectives. While the Internal Audit function is performed by the internal auditor, **an internal control system is the responsibility of the organization's management.** An internal audit is a check that is conducted at specific times, whereas an internal control system is responsible for checks that are on-going to make sure operations efficiency and effectiveness are achieved through the control of risks.

Budget Forecast & Three-Year Budget Plan

Finance and Audit Committee

December 9, 2022

Presented by: Dr. David Bea

PimaCommunityCollege

Ongoing Challenges

- Struggling enrollment and declining outlook

- One year of revenue growth to flattening future growth

- End of Federal COVID-19 Relief

- Structural inefficiencies and continued resistance to reductions
  - All services at all places
  - Academic inefficiencies (scheduling, course capacity)

- Funding new priorities with limited resources
  - Unlimited possibilities and expectations

- Need to reallocate resources to changing needs and realities

PimaCommunityCollege

Keep striving.

Three-Year Budget Plan - Revenue Summary

- Achieve and maintain levy max property taxes
  - FY24, ~4% increase (to levy max) ($7.5M)
  - FY25, ~2% increase (to levy max) (~$4.0M)
  - FY26, ~2% increase (to levy max) (~$4.0M)

- Tuition
  - Moderate increases ($2.00 per credit hour = $700K)
    - Balance between student and taxpayer revenues
    - Suggested by Fitch Ratings to maintain AA for revenue bonds
  - Reinvent the learner payment structure, to include assessing flat-rates by program (Strategic Plan 2021-2025)

- FY 2024
  - Prop 207 (+$600K)
  - Investments (+$1.0M)
  - End of Federal COVID-19 Relief

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Budget/Expenditure Demands

- Employee compensation
  - Sustaining the new Classification and Compensation structure
- Completing capital construction and operationalizing ongoing support
- Addressing deferred maintenance ($10M per year)
- Other requests
  - Marketing
  - Dual enrollment
  - Instructional staff pay
  - Bookstore/food service
  - Institutionalization of grant programs
  - Childcare
  - Digital transformation
    - Infrastructure
    - Device Program
  - Additional Centers of Excellence

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Employee Compensation

- To Be Addressed
  - Appeals
  - Recent promotion adjustments
  - Starting pay (hiring) levels
  - Educational attainment
  - Performance-based pay

- Ongoing Challenges
  - Annual obligation
  - Initial placement caps
  - Future market increases

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Staff/Administrator Ratios

- PCC Budgeted FTSE to Staff/Administrator Ratio (excluding grant-funded positions)
  - 2012 through 2014 - Average 20 FTSE per staff
  - 2015 through 2019 - Average 15 FTSE per staff
  - 2020 through 2022 - Average 12 FTSE per staff

IPEDS Institutions	FTSE/FTE Staff	PCC Rank	PCC Staff Difference
314 2-Year Colleges	10.7	48	-503.0
143 Colleges > 6,000 FTSE	11.7	18	-597.1
27 Peer Institutions	10.6	2	-494.5
PCC	7.2		

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Instructional Faculty Ratio
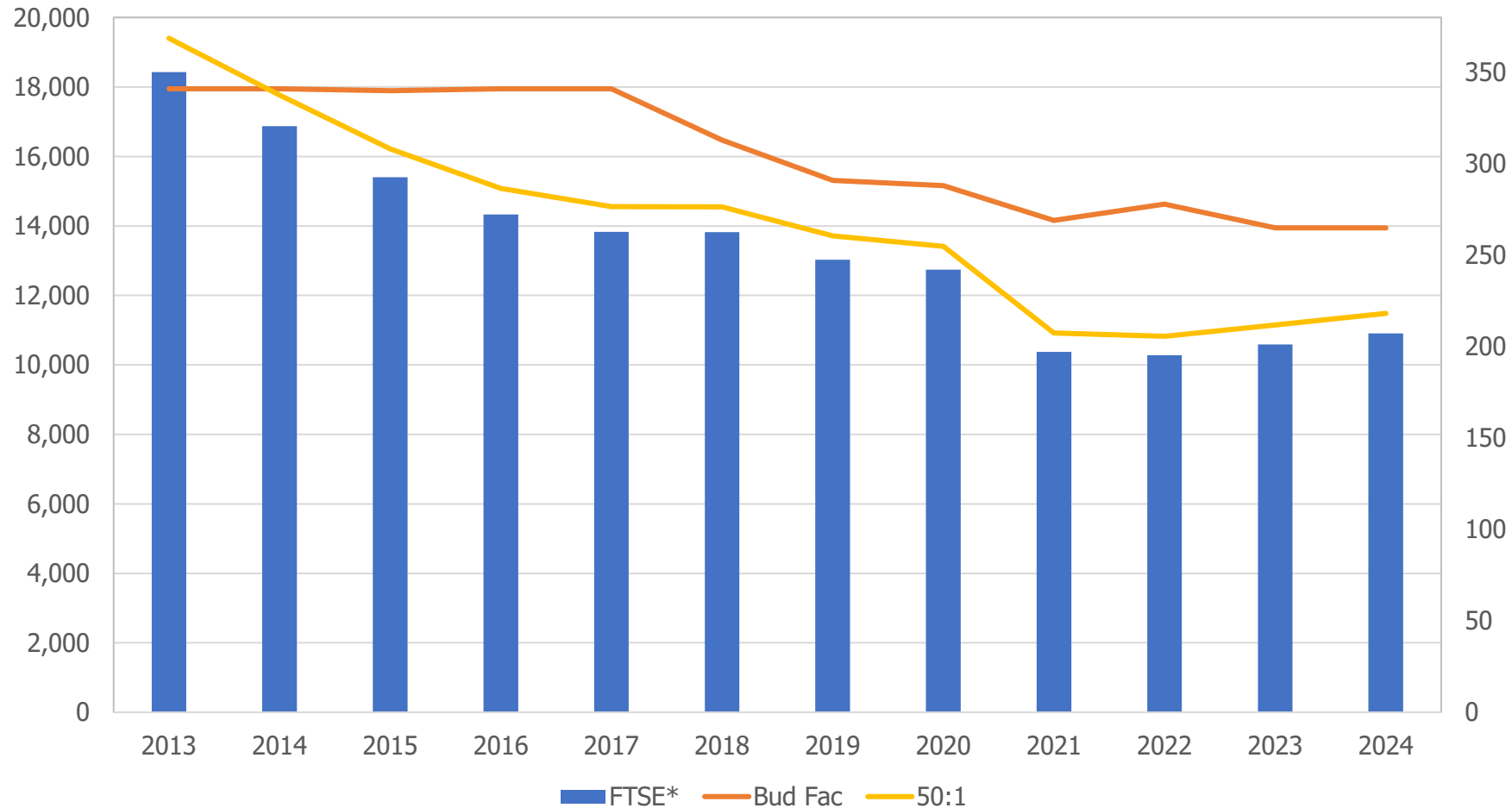
- FTSE* = Audited FTSE less Adult Education, Dual Enrollment, and Skill Center FTSE

- 2023 and 2024 FTSE include 3% growth per year

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Capital Planning Considerations

- Alignment with College strategic planning processes

- Capacity of Information Technology and Facilities personnel to implement

- College reserves vs. new revenues

- Impact of prior years budget estimates on current projects are underfunded
  - Revenue bonds projects

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Three-Year Budget Plan - Expenditure Scenarios

	Scenario A - Do Nothing	Scenario B – Right-Size	Scenario C - Aggressive
Personnel			
Staff Positions	Continue with 12 FTSE to 1 staff ratio	15 FTSE to 1 staff in 3 years (Number of position based on FY21 Audited FTSE)	20 FTSE to 1 staff in 3 years
Faculty Positions	Hold faculty ratio stable. Reallocate via attrition	Phase In 50 FTSE to 1 faculty ratio via attrition	Reinstate 50 FTSE to 1 faculty ratio
Class and Comp Implementation	Phase in full implementation, add pool funds	Phase in full implementation, add pool funds	Phase in full implementation
Employee Benefits	College to continue absorbing annual increases	Employee cost-share to increase by 25% of overall annual increase	Employee cost-share to increase by 50% of overall annual increase
Facilities	Decrease funding for capital projects and deferred maintenance	Modify service delivery	Close a campus, reduce staff

Additional Information

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FY 2023 Capital Outlay - $49M

Summary Recap by Criteria	Ideal Budget Scenario	Year 1 FY23	Year 2 FY24	Year 3 FY25	Year 4 FY26
1 Fire, Life, Health Safety Requirement	$ 1,000,000	$ 1,358,600	$ 975,000	$ 600,000	$ 600,000
2 Replace Academic Equipment	$ 3,500,000	$ 2,667,000	$ 3,359,630	$ 2,500,000	$ 2,500,000
3 Deferred Maintenance	$ 7,500,000	$ 9,726,950	$ 7,436,400	$ 6,563,150	$ 6,139,650
3.1 IT Infrastructure	$ 5,000,000	$ 5,950,000	$ 4,350,000	$ 4,350,000	$ 4,350,000
4 CoE, Strategic Investments, EMP	$ 10,000,000	$ 23,571,440	$ 29,935,980	$ 22,500,000	$ 18,700,000
5 Program Accreditation Requirement		$ -	$ -	$ -	$ -
6 Program/Service Enhancement/Renovations	$ 5,000,000	$ 3,389,600	$ 1,018,600	$ 400,000	$ 150,000
7 New Program / Service Development	$ 1,000,000	$ 275,000	$ -	$ -	$ -
8 Contingencies/Out of Cycle	$ 2,000,000	$ 2,028,700	$ 2,000,000	$ 2,000,000	$ 2,000,000
Criteria Total	**$ 35,000,000**	**$ 48,967,290**	**$ 49,075,610**	**$ 38,913,150**	**$ 34,439,650**

🟥	>$55M	Aggressive, not sustainable.
🟧	>45 - 55M	High Risk for Exceeding EL limits, Over committed
🟩	<40M	Low Risk, strategic spend down of reserves.

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Revenue Bond Projects - Inception to Date

FY=23 Period=14

FUND	FUND_DESC	Revenues	Personnel	Other Expenditures	Transfers	Fund Balance
581999	Rev Bonds Control Fund	67,829,379	0	(443,102)	(49,519,253)	17,867,024
5R8000	**RVB PROJ - Control**	**67,829,379**	**0**	**(443,102)**	**(49,519,253)**	**17,867,024**
581001	RVB Proj -Advanced Mfg.New Bldg	0	0	(27,833,540)	23,936,778	(3,896,762)
5R8001	**RVB PROJ - Applied Tech- Building**	**0**	**0**	**(27,833,540)**	**23,936,778**	**(3,896,762)**
581003	RVB Proj - Transportation New Bldg	0	0	(13,529,838)	13,534,409	4,570
5R8002	**RVB PROJ - AppTech COE AE WFD SS**	**0**	**0**	**(13,529,838)**	**13,534,409**	**4,570**
581005	RVB Proj - ST Bldg Renovations	0	0	(85,481)	94,016	8,536
5R8003	**RVB PROJ - AppTech Weld,Mach,Engr,M**	**0**	**0**	**(85,481)**	**94,016**	**8,536**
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	(439,381)	439,381	0
581036	RVB Proj -DC RE Infrastructure Dev	0	0	(366,680)	366,567	(113)
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	(178,055)	178,055	0
5R8005	**RVB -DC Campus Expansion & Developm**	**0**	**0**	**(5,432,024)**	**5,431,911**	**(113)**
581013	RVB Proj -PSI ESI	0	0	(49,277)	49,277	0
5R8007	**RVB PROJ -PSEI EMSI**	**0**	**0**	**(49,277)**	**49,277**	**0**
581015	RVB Proj -Science Labs	0	0	(7,048,712)	5,945,174	(1,103,538)
5R8008	**RVB PROJ -Science Labs**	**0**	**0**	**(7,048,712)**	**5,945,174**	**(1,103,538)**
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**

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Revenue Bond Projects - Inception to Date

FY=23 Period=14

FUND	FUND_DESC	Revenues	Personnel	Other Expenditures	Transfers	Fund Balance
500005	"Revenue Bonds" Revenue	0	0	0	0	0
5RVBND	**Revenue Bond Funded Projects**	**0**	**0**	**0**	**0**	**0**
		67,829,379	**0**	**(54,943,792)**	**(5,870)**	**12,879,717**

Agenda Item Details

Meeting	Nov 09, 2022 - Regular Governing Board Meeting
Category	3. INFORMATION ITEMS (5 min.)
Subject	3.7 Information: Fiscal Year 2023-2024 Budget Development Calendar
Access	Public
Type	Information
Goals	Accreditation-Criterion 5: Resources, Planning, and Institutional Effectiveness
	Accreditation-Criterion 2: Integrity: Ethical and Responsible Conduct

Public Content

Contact Person:
Dr. David Bea,
Executive Vice Chancellor for
Finance and Administration
(520) 206-4519

Contributing Author:
Keri Hill, Executive Assistant

Information:

Adopted annually by the Governing Board as required by Arizona Revised Statutes, the College budget establishes the maximum spending capacity for the fiscal year. Certain components of the budget are reviewed and approved by the Governing Board as part of the annual budget development cycle.

The budget balances anticipated revenues and expenditures in alignment with College planning processes and strategic goals:

College Revenues:	College Expenditures:

• Tuition and fees
• Property taxes
• State appropriations
• Federal, state, and other grants
• Contracts
• Investment income
• Auxiliary services
• Propositions 207 and 301
	• Operational
	  ○ Personnel
	    ■ Salaries and wages
	    ■ Benefits
	  ○ Contractual obligations
	  ○ Utilities
	• Capital projects
	• Debt service

The Chancellor submits the following calendar of budget development activities in preparation for the Public Hearing and Special Meeting to adopt the budget and set property tax levies and rates for Fiscal Year (FY) 2023-2024. This calendar provides a broad overview of Governing Board actions and major milestones in the budget development process.

Budget Calendar:

September & October, 2022
The Executive Leadership Team reviewed and discussed the budget forecast and initial components of the Three-Year Budget Plan for FY24 to FY26. Conversations with the All Employee Representative Council have been ongoing.

November 14, 2022

Governing Board Study Session to review the College's budget forecast and receive Board direction on potential scenarios and/or key budget parameters, including, but not limited to, property taxes, salaries and wages, and tuition and service fees. Classification and compensation will also be discussed, as sustaining this structure will be a key component of the three-year budget plan.

January 11, 2023
Presentation of the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, to the Governing Board.

February 2023
Course fees for the 2023-2024 Academic Year will be presented to the Governing Board as an Information Item at their Regular Meeting.

Governing Board Study Session to review the budget model and scenarios for Fiscal Year 2023-2024. The budget model and scenarios will be developed using the direction of the Governing Board from their November 14, 2022 Study Session. The discussion will include, but not be limited to:
- Budget forecast
- Expenditure limitation
- Enrollment
- State aid
- Tuition and service fees
- Salaries and wages
- Employee benefits
- Property taxes
- Debt service
- Capital budget
- Three-Year Budget Plan for FY24 to FY26

March 2023
Governing Board Regular Meeting to review and potentially approve tuition and service fees for the 2023-2024 Academic Year. In alignment with the Chancellor's Goals, the Three-Year Budget Plan for FY24 to FY26 will also be presented.

April 2023
Governing Board Regular Meeting to review and potentially approve:
- Salaries and wages
- Employee benefits
  - Medical and pharmaceutical
  - Dental
  - Short term disability
  - Life and Accidental Death & Dismemberment insurance
  - Public Safety Personnel Retirement System

May 2023
Governing Board Regular Meeting to review the proposed Fiscal Year 2023-2024 budget and approve the publication of the Proposed Budget and, if required, Truth in Taxation Notification. The capital budget will also be presented for review and approval.

June 2023
Governing Board Public Hearing and Special Meeting to:
- Set property tax levies and rates
- Adopt the Fiscal Year 2023-2024 budget

Governing Board Regular Meeting to review and approve:
- General liability and automobile insurance
- Workers Compensation
- Property insurance
- Major contractual obligations (Information Technology, Facilities, etc.)

The College shall work with the Governing Board's Finance and Audit Committee to review proposed budget actions, and feedback will be obtained through presentations to students, faculty, staff, administrators, and community members.

Administrative Content

Executive Content

PimaCommunityCollege

Agenda Item Details

Meeting	Oct 12, 2022 - Regular Governing Board Meeting
Category	3. INFORMATION ITEMS (5 min.)
Subject	3.5 Information: Fiscal Year 2023 Capital Project Plan Update, First Quarterly Report
Access	Public
Type	Information

Public Content

Contact Person:
Dr. David Bea,
Executive Vice Chancellor for
Finance and Administration
(520) 206-4519

Information:

The College's annual capital budget planning process identifies equipment replacement and facilities projects that exceed $5,000 and meet the College's mission, strategic priorities, and needs. Fiscal Year 2023 capital project requests were reviewed with the following considerations and goals:

- Alignment with College strategic planning processes
  - Review by Strategy, Analytics and Research
  - Projects declined or postponed to future years
- Capacity of Information Technology and Facilities personnel to implement
- College reserves and new revenues
- Supply chain delays and concerns
- Impact of prior year budget estimates on current projects that are underfunded
- Enhanced budget projections and management

On May 12, 2022, the Governing Board approved the Capital Budget Plan for fiscal year 2023. The plan included $48,967,290 of budget capacity to continue investments in the Centers of Excellence, Information Technology, and deferred maintenance.

The College is committed to reviewing the approved capital projects and providing quarterly reports on the Capital Budget Plan to the Finance and Audit Committee and the Governing Board.

Capital Budget Plan Review Process:

After the start of the fiscal year, employees from Finance, Facilities, and Information Technology will review the Capital Budget Plan for adjustments. The group discusses the capacity to complete projects within the current fiscal year, STEM projects, projects that had a change in scope or were discontinued, and projects to continue to fulfill Prop 481 initiatives.

Fiscal Year 2023 Summary:

The following table provides a preliminary overview of the fiscal year 2023 Capital Project Plan:

Category	Adjusted Budgeted	Q1 Year to Date Expenses
Centers of Excellence - Buildings and Construction	$24,396,440	$2,925,000

35

Renovations	$3,715,000	$257,000
Facilities and Deferred Maintenance	$9,726,950	$766,000
IT Cyclical Replacements	$5,950,000	$1,411,000
Academic Equipment:	$3,503,200	$7,500
Prior Year Carryforward Projects	TBD	$5,100,000
Contingency Fund	$1,845,870	$0

Administrative Content

Executive Content