

**BOARD OF TRUSTEES AUDIT COMMITTEE MEETING
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOL**

1601 South Lamar Street

Dallas, TX 75215

Lower Level, Room 007

Tuesday, July 5, 2011

2:00 PM

Agenda

- I. Certification of notice posted
- II. 3rd quarter report from internal audit as provided by Board Policy CDC (LOCAL), as follows:

All District accounts shall be subject to internal audit as deemed appropriate.

The objective of internal accounting control is to provide reasonable assurance as to the safeguarding of assets against loss from unauthorized use or disposition and to evaluate the reliability of financial records for preparing financial statements and maintaining accountability for assets. Findings of such audits shall be reported to the Board.

The internal audit staff has authority and responsibility for conducting financial and compliance audits. Upon specific request by the Board, Chancellor, or Vice-Chancellor of Business Affairs, the staff may also conduct operational efficiency audits. Access to records, personnel, and physical properties relevant to the performance of these audits is hereby authorized.

The director of internal audit shall meet quarterly with the Board's audit committee, Chancellor, and Vice-Chancellor of Business Affairs to review:

- 1. Activity reports highlighting significant audit findings and recommendations.*
- 2. Status reports on management's corrective actions.*
- 3. Comparisons to audit findings in previous years.*

4. *Annually, a proposed, documented audit plan.*

The Vice-Chancellor of Business Affairs shall supervise the director of internal audit.

III. Performance of Investments in Municipal Bonds

Board policies pertinent to investments described above are in CAK (LOCAL)

The College District may make investments only in the following types of instruments:

...8 Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent as permitted by Government Code 2256.009(a). CAF (LOCAL),
APPROPRIATIONS AND REVENUE SOURCES INVESTMENTS

IV. Review of chancellor's travel as provided by Board Policy DEE (LOCAL), as follows:

The Chancellor is authorized to travel and incur reasonable travel expenses in the performance of his or her duties for the District without prior approval by the Board. The District shall reimburse the Chancellor for travel and related expenses based upon this policy.

While incurring travel expenses, the Chancellor shall be governed by the same standards that govern Trustees. [See BBG (LOCAL)]

Semi-annually, the Chancellor shall report to the audit committee of the Board the trips which he or she has taken, the purpose of each trip, and his or her travel expenses. The committee shall review the information and give direction to the Chancellor concerning the trips and expenses; however, the committee is not authorized to disapprove any trips or travel expenses unless the travel expenses exceed the standards provided in BBG of this manual.

If the Chancellor incurs travel expenses which are not authorized by BBG, he or she shall submit a request for approval to the audit committee of the Board and follow the same procedures provided in BBG. The committee is authorized to approve or disapprove travel

expenses incurred by the Chancellor that exceed the standards in BBG.

V. Executive Session

The Board may conduct an executive session as authorized under §551.074 of the Texas Government Code to deliberate on personnel matters.

As provided by §551.072 of the Texas Government Code, the Board of Trustees may conduct an executive session to deliberate regarding real property since open deliberation would have a detrimental effect upon negotiations with a third person.

The Board may conduct an executive session under §551.071 of the Texas Government Code to seek the advice of its attorney and/or on a matter in which the duty of the attorneys under the Rules of Professional Conduct clearly conflict with the Open Meetings Act. The Board may seek or receive its attorney's advice on other legal matters during this executive session.

The Board may conduct an executive session under section 551.076 of the Texas Government Code to deliberate regarding the deployment or specific occasions for implementation of security personnel or devices.

VI. Adjournment

**CERTIFICATION OF NOTICE POSTED
FOR THE
JULY 5, 2011
AUDIT COMMITTEE MEETING OF THE
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOL
BOARD OF TRUSTEES**

I, Wright L. Lassiter, Jr., Secretary of the Board of Trustees of the Dallas County Community College District, do certify that a copy of this notice was posted on the 1st of July 2011, in a place convenient to the public in the District Office Administration Building, and a copy of this notice was provided on the 1st of July 2011, to John F. Warren, County Clerk of Dallas County, Texas, and the notice was posted on the bulletin board at the George Allen, Sr. Courts Building, all as required by the Texas Government Code §551.054.



Wright L. Lassiter, Jr., Secretary

II. 3rd QUARTER REPORT FROM INTERNAL AUDIT

TO: Audit Committee of the Board of Trustees

FROM: Rafael J. Godinez, CPA

DATE: June 14, 2011

RE: Quarterly Summary of Activities for the 3rd Quarter Ended
May 31, 2011

The following is a summary of activities by the DCCCD Internal Audit Department during the third quarter of Fiscal Year 2011.

AUDITS COMPLETED – Reports Issued

- Access Controls – Human Resources / Payroll

The purpose of the audit was to ensure that access to the HR application screens is adequately controlled and is provided only to those individual who need update or view access for the performance of their official duties. The HR application is used to manage District employees' payroll and benefits. We reviewed the adequacy of segregation of duties, authorization of application access requests, and propriety of update access to job functions. All controls are working as designed. No exceptions were noted.

- Upward Bound Grant – Eastfield College

Eastfield College's Upward Bound program serves 60 students in the 9th through 12th grades from Skyline and W.W. Samuel High Schools. The program is to motivate and develop skills of participants to achieve success in education beyond high school. Special emphasis is placed on the mastery of math, science, reading and writing. Each participant is evaluated and an academic plan is designed to assist the student to upgrade their basic skills. The grant requires the tracking of participants (even if they drop out of the program) through the post-secondary years following high school graduation. The program is achieving of its stated objectives without exception. Participant files are accurate and complete and tracking of students is well documented.

- Richland Collegiate High School – Attendance Reporting

The audit of the attendance accounting system is an annual audit required under the Richland Collegiate High School (RCHS) charter as amended and approved by the Board at the April 6, 2010 meeting. The objective of the audit was to verify the accuracy and completeness of attendance reported by RCHS to the State for the Spring 2010 and Fall 2010 semesters. Additionally, we confirmed that Texas Education Agency's graduation requirements were satisfied by

seniors who graduated in the spring of 2010. We noted and reported to the RCHS principal three attendance exceptions in that the students were included in the attendance report to the State but were noted as absent on the class attendance records. RCHS management responded that these were entry errors and additional procedures will be implemented to review attendance sheets to ensure that all absences are correctly reported to the State.

- Fixed Assets – Annual Inventory Testing

The objectives of the audit were to determine compliance with District policy and ensure that a complete and accurate physical count of capital assets has been conducted. Each spring, every location conducts a physical inspection of fixed asset inventory items. All items not located during the initial count are set aside as “temporarily unaccountable” items. Additional action must be taken to account for these. A random sample was selected for each location and their physical presence was verified by the auditor. No exceptions were noted. Once the unaccountable items had been placed back into active inventory, we selected a sample for verification. The sample at Richland College consisted of 10 items but we were not able to locate 5 computers and/or laptops. We reported to management that the process for receiving and tagging incoming assets needs improvement. Management is currently assessing the issues reported and will implement strategies to improve their inventory process.

AUDIT COMPLETED – Report Pending

- Adjunct Instructors Teaching Load – this is an audit to ensure compliance with the adjunct teaching load policy. Preliminary findings indicate minimal exceptions.

AUDITS IN PROGRESS

The following audits are currently in various stages of progress:

- Travel Expenses
- Payroll Testing Using CAT (Computer Assisted Techniques)
- Enrollment Audit

cc Wright Lassiter
Ed DesPlas

III. Performance of Investments in Municipal Bonds

Performance of Investments in Municipal Bonds

At the May 5, 2011 Board of Trustees meeting, Trustee Compton requested information on the performance of investments that were made in municipal bonds by the DCCCD.

Generally, municipal tax-exempt debt is not attractive to tax-exempt entities like DCCCD because of low relative yields. However, because of market conditions, the yield on high grade municipal securities exceeds similar maturity treasury and agency obligations. We have one municipal security that we purchased in October of 2010. It is a revenue and tax guaranteed, AAA rated debt obligation valued at \$2,000,000 face value. When purchased its yield to maturity was .78% compared to a 2 year Federal Home Loan Bank Agency at that time yielding .50%. Since one of the tenants of our policy is diversification, we were pleased to see that we could branch into a different platform and have a yield pickup at the same time. This security is allowable under the Public Fund Investment Act and the DCCCD Investment Policy and exceeds the credit grade requirement of the law of A rating. Because it has a mandatory call 8/15/12, it gives us some yield protection until then and exceeds the investment pool yields significantly. At the time of purchase the TexPool Yield was .20% while today it is .08%. We consider this a safe and quality investment made both for diversity and yield reasons.