



Governing Board's Finance and Audit Committee

Friday, December 10, 2021

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Scott Odom (Chair), David Bea (Ex-Officio), Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia, Laura Ward, Kathleen Witt, Jesus Manzanedo, Ken Marcus, Keri Hill (Recorder)

Not in Attendance:

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Guests:

John Utter, RBC Global Asset Management; Jose Saldamando, Internal Auditor; Jeff Silvyn, General Counsel; Bruce Moses, Vice Chancellor

General Matters

1. Call to Order

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

Action Items

2. Approval of Minutes from October 29, 2021

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

Motion No. 202112-01: Approve Minutes from October 29, 2021

First: Maria Garcia

Second: Ben Tuchi

Vote: Motion passed unanimously (Odom, Tuchi, Garcia, Ward, Witt, Manzanedo, Marcus voting in favor)

Motion Carried.

Reports and Feedback

3. Investment Update (John Utter)

Mr. Utter from RBC Global Asset Management joined to provide an update on the College's investment portfolio. He began with the Summary of Combined Portfolio Characteristics, reviewing the distribution and duration of the portfolios. Related to the 1-3 Year Portfolio, Mr. Utter discussed the strategies utilized to generate income, and regarding inflation, he stated that the Federal Reserve is soon likely to taper current strategies.

Related to the Ultra Short Portfolio, the income return is positive and the yield has increased since October of this year.

Mr. Utter continued with an overview of activity at the Federal Reserve, stating that Powell will remain the Chair. The U.S. Economy is improving unemployment, with 5.8M jobs added year-to-date, but much remains uncertain. The Credit Market Environment is showing strong corporate earnings.

The overall outlook remains positive for 2022, with considerations for reduced globalization and geopolitical challenges. RBC is breaking out components of inflation to categorize permanent factors versus those related to the pandemic.

Mr. Tuchi asked about the U.S. business cycle scorecard, as the allocation at the start of the cycle is an outlier. Mr. Utter described the scorecard's attempt to represent the brief recession at the start of the pandemic and the quick snapback to a stronger economy.

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

Mr. Saldamando thanked Ms. Ward for recently joining this Committee, as he has known her for several years. He introduced the December 2021 audit report, beginning with the general department update. The Capital Projects and Information Technology audits are in the planning stages and will be co-sourced with Heinfeld Meech, a local accounting firm. Mr. Saldamando also met with key stakeholders related to the distribution and awareness of the Student Code of Conduct Policy.

The Security and Access Control Work Group is defining and recommending standards for College access controls, and Mr. Saldamando is continuing work with the Strategy, Analytics and Research (STAR) department related to various College-wide projects.

Moving on to the Audit Recap, there are 58 findings closed and nine findings open related to the Automotive, 2020 Center for International Education and Global Engagement, Health Insurance Portability and Accountability Act (HIPAA), Information Technology (IT), Key Controls, Clery Act Compliance, and Procurement & Contracts audits. The IT change management finding by the Arizona Auditor General has been closed. Mr. Saldamando provided an update on the current audit plan and the status of the projects.

Ms. Garcia asked if there will be an audit on the federal Higher Education Emergency Relief Funds (HEERF), as she would like a more current report on the allocations and the total funds. Ms. Maina stated that the Auditor General audited the HEERF grants for fiscal year 2021, and she recommended Mr. Saldamando touch base with the lead auditor. Mr. Manzanedo requested that the report be provided by another area, and not through the audit department, to maintain impartiality.

Ms. Ward recently reviewed the annual audit plan, and she had a question about the categories for items reported as complaints or whistleblowers, as one of the categories is “Other”. Mr. Saldamando described the Office of Dispute Resolution and how they respond to the reports; the Office of Dispute Resolution will be invited to a future meeting.

Chair Odom thanked Mr. Saldamando for his report.

5. Enterprise Risk Management Update (David Parker)

Mr. Parker introduced the Enterprise Risk Management (ERM) and Compliance Report. He provided an update on the development of the ERM program, as the College has in recent years been more risk-averse.

Various risk assessment tools from other entities have been reviewed as Mr. Parker seeks to develop them for the College, and there is great collaboration as these tools are shared between institutions. The recent response to the Federal Contractor Executive Order provided an opportunity to utilize the new ERM tools, which identified issues and management considerations that needed to be addressed.

The next steps include an orientation in February for ERM workgroup members.

Ms. Witt asked for an example of what was found when the model was utilized. Mr. Parker shared the matrix and noted some of the steps that should have been taken earlier in the process.

Mr. Odom asked if the College had a risk appetite statement. Mr. Parker shared an early draft, which includes risk-averse to risk- (opportunity) seeking, as well as the level of authority needed to execute and the purpose for seeking the risk. The ERM workgroup will finalize the risk statement this Spring. Mr. Silvyn noted that part of the College’s interest in ERM was driven by the large difference in appetite for risk across the College, as some departments have a high tolerance for risk while others have zero. The new ERM framework will create balance and provide a system to evaluate risk across the College, rather than within an individual unit.

Chair Odom thanked Mr. Parker for his work.

6. Higher Learning Commission (Bruce Moses)

Dr. Moses stated that the Higher Learning Commission (HLC) will be conducting a Focused Visit on Criterion 2.C. this Spring. The visit will comprise two peer reviewers, and an agenda is expected approximately four weeks prior to the visit.

Criterion 2.C. states the following: *The governing board of the institution is autonomous to make decisions in the best interest of the institution in compliance with board policies and to ensure the institution’s integrity.*

Mr. Manzanedo asked for more information about the complaint. Two complaints, one by a former employee and one by a community group, were filed with the HLC. Based on the complaints and the response by the College, the HLC is seeking to ensure that Criterion 2.C. is being met.

Ms. Garcia asked if it is possible that the HLC will be looking at all areas of the College during the visit, including those not addressed during the last visit. From Dr. Moses' experience, the visit is focused on 2.C. but it will open up for other items to be presented to the peer reviewers during their visit.

Dr. Moses will be in touch with Dr. Bea and Mr. Silvyn after the agenda is received, and this Committee will be notified if their participation is required.

7. CFO Update (David Bea)

Dr. Bea began with an update on the revenue bonds and the status of current projects, as well as the Aviation Technology Center expansion, which is largely funded by appropriations by the State of Arizona. The Center of Excellence for Public Safety and Security is in the early development stages and may require additional funds for completion. There are several cost escalation issues with the projects; they have been manageable to date, and this Committee will be kept apprised.

On November 29, 2021, the Governing Board held a Study Session on the Fiscal Year 2023 Budget Outlook. Full time student equivalents (FTSE) are down, and enrollment will be a focus of this year's conversation related to allocations of personnel and financial resources.

Ms. Garcia mentioned that the Educational and Facilities Master Plans are based on higher enrollments. With many students moving online or hybrid, the College has a large footprint that is still expanding and she is concerned it will run out of resources. Dr. Bea stated that the size of the infrastructure needs to be aligned with FTSE, and three scenarios will be created, including the possibility of taking offline or repurposing a campus. Further, the Master Plans are being re-evaluated to better align with current enrollment, and there will be consideration to parsing out the types of space (occupational vs. traditional classroom) to get a better idea of the usage. The College has strong reserves, which are primarily being allocated for the Center of Excellence for Health Professions.

Ms. Witt asked how space usage is calculated and if there is a breakdown of cost per FTSE. Dr. Bea described the metrics that are annually assembled, and Ms. Garcia asked this Committee to consider these factors as conversations related to the possibility of raising the tax levy occur. The College has not raised the levy the last two years, and the Board has not expressed interest in any large tuition increases.

Dr. Bea discussed the expenditure priorities for fiscal year 2023, and the classification and compensation study will be a major component. He continued with some of the priorities of the

study, which include improving mechanisms for staff pay given the current distribution of staff employees at Step 1 of their classification scale.

New [dashboards](#) are available through STAR on a variety of areas, including personnel statistics.

The federal vaccine mandate is being implemented at the College, which is a federal contractor. Work is continuing on compiling the information despite the recent stay of the order. Approximately 80% of employees have so far complied via reporting their vaccination or through one of the exemption methods.

Chair Odom asked if there were any additional comments or questions. In looking at the future agenda items, he noted that monitoring the financial status of the College and enrollment will be significant, as well as a better understanding of space usage.

Ms. Ward asked if the Marketing update would include the new facilities, including Aviation. Marketing will be invited to a future meeting to provide an update.

Information Items

8. Future Agenda Items

- a. Workforce Update
- b. Marketing
- c. Arizona Auditor General (February)
- d. Partnership with Catholic University (February)
- e. Public Safety Personnel Retirement System - Fiscal Year 2023 Contributions (February)
- f. Adult Education
- g. Office of Dispute Resolution
- h. Space Usage

Adjournment

The meeting adjourned at 11:02am.

Next Meeting:

February 18, 2022

Virtual Meeting - Zoom Webinar