

**BOARD FINANCE COMMITTEE  
SAN JACINTO COMMUNITY COLLEGE DISTRICT  
August 27, 2019**

Members Present: Marie Flickinger, Dr. Ruede Wheeler, and Larry Wilson

Members Absent: Keith Sinor

Other Trustees Present: None

Others Present: Brenda Hellyer, Teri Zamora, Linda Torres, and Rosselle Helms

- I. Dr. Ruede Wheeler called the meeting to order at 5:00 p.m.
- II. Roll call of the Committee members was taken:
  - Marie Flickinger, present
  - Dr. Ruede Wheeler, present
  - Larry Wilson, present
  - Keith Sinor, absent
- III. Approval of Minutes from the July 22, 2019, Finance Committee Meeting
  - R. Wheeler presented the minutes from the July 22, 2019, Finance Committee Meeting.
    - A motion was made by L. Wilson and seconded by M. Flickinger to accept the minutes as presented.
- IV. Review and Discuss Internal Audits:
  - L. Torres, Director of Internal Audit, updated the Committee regarding two audit reports.
    - Surplus Property Audit
      - L. Torres reviewed the executive summary of the Surplus Property Audit Report, which included a detailed evaluation of the operational efficiency, internal controls, and compliance with internal and external regulations and policies surrounding the Surplus Property function between January 1, 2018 and December 31, 2018. The following observations and corresponding Corrective Action Plans (CAP) were noted:
        - Observation: Physical Storage and Type On-Hand
          - CAP – Steps will be taken to enhance the physical security and organization of the Surplus Property storage areas.
        - Observation: Property Transfer Preference
          - CAP – A statement will be added to the website advising of preference to ensure compliance with the statute.
      - Observation: Fixed Asset Disposition
        - CAP – To ensure that the Fixed Asset Coordinator has been timely notified of the sale items, Auxiliary Services has requested Lone Star Auctioneers provide the sales reports directly to Fixed Asset Coordinator.
          - R. Wheeler asked where the storage units were located.
          - L. Torres advised that they are in multiple locations throughout the district.

- B. Hellyer added that multiple storage areas can cause some delays in pick up times and at some point, things simply need to be discarded.
    - T. Zamora affirmed that the team tackled clearing out items with no resale value over the summer.
    - M. Flickinger asked when the auction is held.
    - L. Torres replied that the auction is held online on a regular basis
    - B. Hellyer explained that the College partners with Lone Star Auctioneers, and their website lists the available items from our entity and others.
    - T. Zamora added that the team has looked at the internal operating cycle, which when coupled with a more detailed approach to documentation, reveals opportunities to expedite the process. For example, if an item hasn't sold at auction, then there is a deadline in which it needs to be discarded.
    - L. Torres clarified that the process has been to auction items in lots, so that the complete lot must be taken once the lot is sold. However, this may not always be the best plan. In some instances, a whole lot may not sell and then stays in storage through future auction cycles.
    - M. Flickinger offered the idea of donating unsold items to a charity.
    - B. Hellyer responded that the College could do that or discard. Both options are being reviewed.
- Financial Aid Audit
  - L. Torres reviewed the executive summary of the Fixed Assets audit report, which included a detailed evaluation of the operational efficiency, internal controls, and compliance with internal and external regulations and policies surrounding Financial Aid between January 1, 2018 and December 31, 2018. The following observations and corresponding CAPs were noted:
    - Observation: Texas Educational Opportunity Grant (TEOG) Matching Requirements
      - CAP – A report was obtained from the Information Technology Services (ITS) Department which extracts the tuition charges by student. Financial Aid staff will use the report to compare authorized awards to charges by student.
        - T. Zamora advised that this TEOG issue is also a common finding with the Texas Higher Education Coordinating Board (THECB) when they audit various institutions. She received an update that Financial Aid already began the corrective plan for this issue. It is a manual process for 2019 but automated controls will be in place for 2020.
    - Observation: State Financial Aid Reporting Missed Deadlines
      - CAP – The Dean of Financial Aid and the South Campus Financial Aid Manager will submit Financial Aid Database (FAD) Cycle 2 Report on time.
        - T. Zamora commented that the state portal was experiencing technical difficulties, which contributed to the late report.
    - Observation: Faculty Attendance Reporting
      - CAP – The Financial Aid Department will collaborate with

implementing policies and procedures established by the College. A report has been requested from ITS to identify faculty who fail to certify their roster on timely manner. The Dean of Financial Aid will forward the report to the Vice-Chancellor and College President after Return to Title IV calculations are completed for each semester commencing with the fall 2019 semester.

- L. Torres expounded that the findings demonstrated an inconsistency with faculty assessing attendance at the midpoint date, not the census date. Having inaccurate records due to students dropping around the midpoint date, forces the College to recover the funding that was originally refunded to the student in error. That can be a difficult task if the student doesn't return.
- R. Wheeler commented that faculty need to be complying with this guideline.
- B. Hellyer responded that communication is improving, and the Faculty Senate will support administration in this. They understand the importance of it. B. Hellyer continued that the majority of faculty are complying, and this is being pursued aggressively.
- Observation: Records Security Procedures/Family Educational Rights and Privacy (FERPA)
  - CAP – The Dean will create more detailed written procedures clarifying steps to safeguard against improper distribution of information via digital (email, text, and mobile app), telephone, and face-to-face conversations. The procedures will also include instructions on how to check Cornerstone to ensure all Financial Aid employees have completed the college-wide online training.
  - CAP – The Dean of Financial Aid will reinstate a more detailed FERPA training that was discontinued when the current online training was implemented.
- Observation: Record Retention Procedures
  - CAP – The Financial Aid Dean will update the current financial aid procedures manual to explain that records are to be maintained at least five years as required by the State of Texas.
- B. Hellyer concluded that each of these items will be corrected in the Fall 2019 semester except the Faculty Attendance Reporting CAP of the Financial Aid Audit which has a completion target in January 2020.
  - M. Flickinger asked L. Torres if employees took the audit CAPs seriously.
  - L. Torres confirmed that they do and Financial Aid in particular invites more frequent internal audits to continually improve their processes.
- L. Torres shared results from the Annual Internal Audit Report for the 2018-2019 audit year (September 1, 2018 to August 31, 2019), with corresponding recommendations by the Internal Audit Department.
  - The total number of audits for the year included:
    - Five Initial Audits were opened, including the Financial Aid and Surplus Property Audits previously discussed
    - Twenty Follow Up Audits with open items, some dating as far back as 2010
    - Thirteen Cash Counts

- Statuses for Initial Audits, Cash Counts, and Follow-Up Audits were listed in detail to the Committee.
- Activity also included the roll out of Ethics Training for all full-time employees and the EthicsPoint Hotline.
  - Feedback has been positive.
  - B. Hellyer reminded the Committee that the EthicsPoint Hotline is the anonymous tip line where employees can report instances that they feel need to be addressed.
  - L. Torres concluded that there were only four reports utilizing the EthicsPoint Hotline, none of which rose to the level of fraud or anything of that nature. Each of them was successfully resolved by the appropriate SLT member.
- The Annual Risk Assessment and Proposed 2019-2020 Audit Plan were presented to the Committee for questions and input.
  - T. Zamora commented that this plan is a good mix of operational and financial items.
  - B. Hellyer added that she and T. Zamora reviewed the Internal Audit's recommendations, made some revisions, and this is the plan that is recommended to the Committee.
  - The Committee was in agreement of the 2019-2020 Audit Plan.

V. Review and Discuss 2019-2020 Property Tax Rate

- T. Zamora reviewed the 2019-2020 Property Tax calculations.
  - The final certified taxable values for FY 2020 are estimated at \$61.52 billion, demonstrating a 12.22% increase over last year.
    - R. Wheeler commented that it is a substantial increase.
    - T. Zamora affirmed the comment and added that it surpassed the original forecast.
    - R. Wheeler asked if there was conjecture as to why there was such an increase.
    - M. Flickinger replied that the tax base had an overall increase in our service area.
    - T. Zamora advised that the increase is a result of higher valuations and new construction in the region. Approximately 60% was due to value increase and 40% was from new construction.
    - L. Wilson questioned if protests on valuations were still in progress.
    - T. Zamora confirmed that is true and \$4.16 is currently under protest.
    - M. Flickinger commented that much of Clear Brook is residential, and many of them flooded during Harvey. Many of them have not been restored.
    - T. Zamora offered that as the homes were restored their valuations were raised.
  - In light of the new tax base, the College will be able to lower the overall tax rate to \$0.178169, a 0.6% decrease. This makes it the lowest tax rate by the College since 2016.
    - Although the overall rate is lower, due to the College's debt rate being higher, the College will not be able to use the Effective Tax Rate and therefore must hold two Tax Hearings.
  - The proposed, tentative timeline was shared with the Committee:
    - September 9, 2019 Board Meeting
      - Discuss the Tax Rate
    - September 13, 2019
      - Publish the "Notice of Public Hearing on Tax Increase"
    - September 24, 2019 at 5:00 p.m. between the Board Building and Finance

Committees

- First Public Hearing
- September 27, 2019 at 11:00 a.m.
  - Second Public Hearing
- September 30, 2019
  - Publish the “Notice of Tax Revenue Increase”
- October 7, 2019 Board Meeting
  - Adopt the Tax Rate

VI. The meeting adjourned at 5:34 p.m.