

This Open Meeting of the Board of Trustees is authorized in accordance with the Texas Government Code, §§ 551.001 through 551.146. Verification of Notice of Meeting and Agenda are on file in the Office of Board Relations. Per Texas Government Code § 551.1282.

**NOTICE OF AUDIT COMMITTEE MEETING BY VIDEOCONFERENCE
OR TELEPHONE CALL OF THE BOARD OF TRUSTEES FOR DALLAS
COLLEGE AND RICHLAND COLLEGIATE HIGH SCHOOL**

<http://www.dcccd.edu/boardmeetingslive>

Tuesday, March 2, 2021

11:30 a.m.

DUE TO HEALTH AND SAFETY CONCERNS RELATED TO THE COVID-19 CORONAVIRUS, THIS MEETING WILL BE CONDUCTED BY VIDEOCONFERENCE OR TELEPHONE CALL. AT LEAST A QUORUM OF THIS BOARD COMMITTEE WILL BE PARTICIPATING BY VIDEOCONFERENCE OR TELEPHONE CALL IN ACCORDANCE WITH THE PROVISIONS OF SECTIONS 551.125 OR 551.127 OF THE TEXAS GOVERNMENT CODE THAT HAVE NOT BEEN TEMPORARILY SUSPENDED BY ORDER OF GOVERNOR ABBOTT ON MARCH 16, 2020.

AGENDA

1. Roll Call - Announcement of a Quorum
2. Certification of Notice Posted for the Meeting
3. Citizens Desiring to Address the Board

4. Committee Presentations

- A. Quarterly Audit Update - 2nd Quarter Ending February 28, 2021
Presenters: Lori Cox, Rob Wendland

5. Items for Review

- A. Committee Notes

1) Audit Committee Notes for December 15, 2020

2) Internal Audit Departmental Charter

6. Executive Session (if required)

A. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071

B. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignments, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

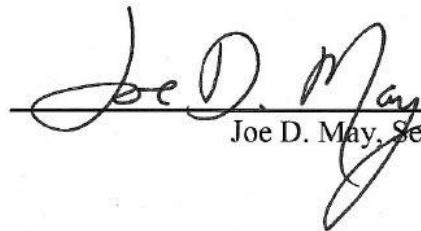
C. Deliberate Regarding Real Property Since Open Deliberation would have a Detrimental Effect Upon Negotiations with a Third Person - Section 551.072

D. Deliberate Regarding Security Devices or Security Audits-Sections 551.076 and 551.089

7. Adjournment

**CERTIFICATION OF NOTICE POSTED FOR THE MARCH
2, 2021 AUDIT COMMITTEE MEETING OF DALLAS
COLLEGE AND RICHLAND COLLEGIATE HIGH SCHOOL
BOARD OF TRUSTEES**

I, Joe D. May, Secretary of the Board of Trustees of Dallas College, do certify that a copy of this notice was posted on the 26th day of February 2021 on the Dallas College website, as required by section 551.043 (a)-(b)(1) of the Texas Government Code, and in accordance with those other provisions of the Texas Government Code that have not been temporarily suspended by order of Governor Abbott on March 16, 2020.



Joe D. May, Secretary

Board of Trustees
AUDIT COMMITTEE

March 2, 2021

**INTERNAL
AUDIT REPORT**

Lori K. M. Cox
Chief Internal Auditor

INTERNAL AUDIT DEPARTMENT (IAD) REPORT



PLAN & ENHANCEMENT UPDATES



ENGAGEMENT UPDATES



AUDIT PLAN MODIFICATIONS



IAD – OBJECTIVE & DEFINITION

OBJECTIVE

Enhance the internal audit department and develop a “best-in-class” internal audit function serving as a model of excellence and embodying the definition of professional internal auditing.



INTERNAL AUDIT DEFINITION

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAD PLAN & ENHANCEMENT UPDATES

Enhancement/Develop	Target Completion Date	Status/Revised Completion Date
Update Risk Assessment Processes	On-going	On-going
Mission & Vision	December 2020	Completed
Staff Training & Development Plans	December 2020	Completed
Audit Issues Tracking Process	January 2021	Completed
Audit Process Redesign	January 2021	Completed
Communications Plan	January 2021	In Progress/March 2021
Department Charter	January 2021	Draft Completed*
Department Restructure	January 2021	In Progress/March 2021
Strategic Plan	January 2021	In Progress/February 2021
Department Manual Update	February 2021	In Progress/March 2021
Quality Assurance & Improvement Program	March 2021	In Progress
Data Analytics Tool	April 2021	Research Started
Working Paper Software Tool	April 2021	Research Started

*Pending Review/Approval

IAD – MISSION AND VISION



VISION

To be recognized as a collaborative, strategic, trusted advisor and vital resource providing information, analyses and advice to help ensure operations are managed ethically, effectively and efficiently, thereby contributing directly to the continuous improvement of operations, governance, risk management and internal control practices.



MISSION

Guided by a philosophy of adding value, the mission of the Internal Audit Department is to enhance and protect organizational value by providing high-quality, objective, risk-based assurance and consulting services, advice, and insight, while embodying the commitment of improvement and betterment of the college, its students, and the community.

IAD – STAFF TRAINING & DEVELOPMENT

STAFF TRAINING & DEVELOPMENT PLANS

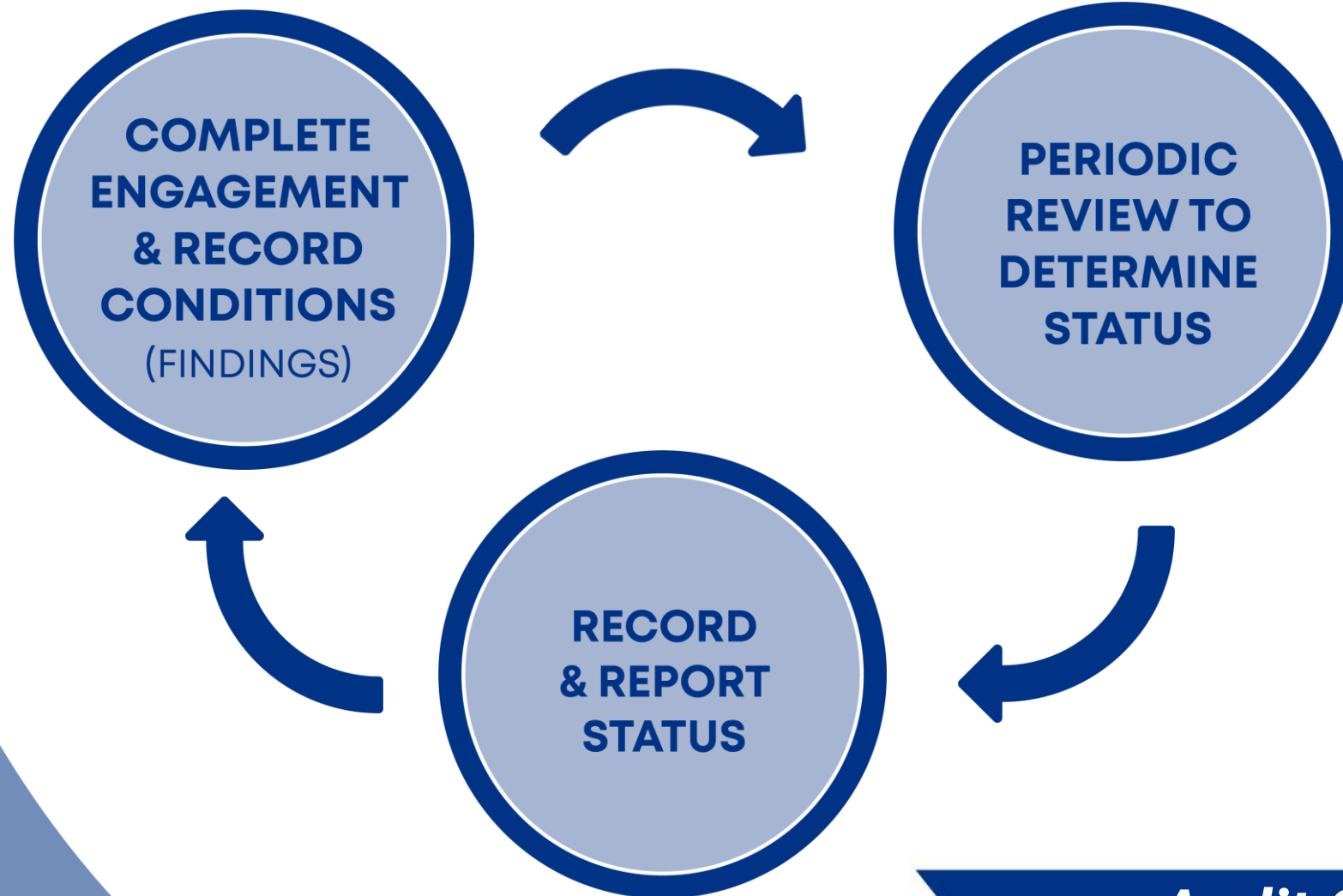
Customized for each team member

Phase I – Internal Audit Foundation

Phase II – Internal Audit Core Competencies & Attributes

Phase III – Phases of An Audit

IAD – AUDIT ISSUES TRACKING PROCESS



IAD – AUDIT (ENGAGEMENT) PROCESS REDESIGN

The process outlined below will be used for most engagements:

BEFORE THE ENGAGEMENT



Risk Assessment



Types of Audits



Annual Audit Plan

DURING THE ENGAGEMENT



Engagement Letter



Opening Conference



Planning the Audit



Fieldwork

AFTER THE ENGAGEMENT



Closing Conference



Management Response



Executive Conference

REPORTING AND FOLLOW-UP



Report to Chancellor



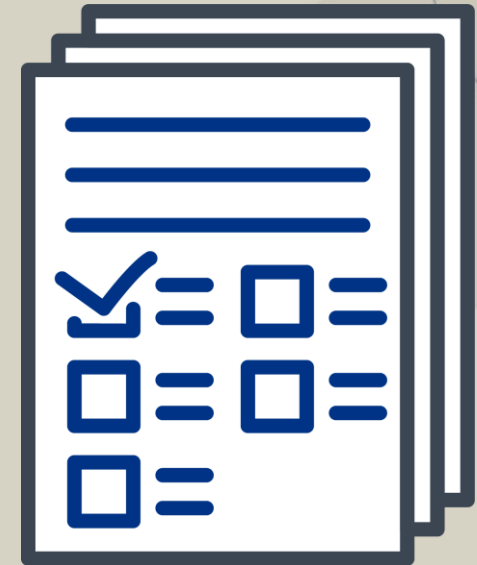
Report to Management



Report to Board



Follow-Up

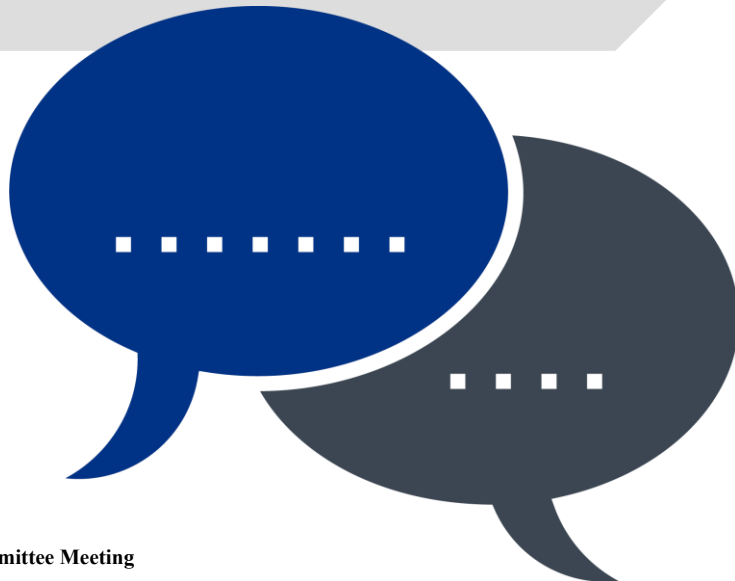


IAD – COMMUNICATIONS PLAN

COMMUNICATIONS PLAN

The purpose of the plan is to provide information to all stakeholders regarding the purpose, role, and scope of the Internal Audit Department activities and requirements. The communications plan will include, but is not limited to:

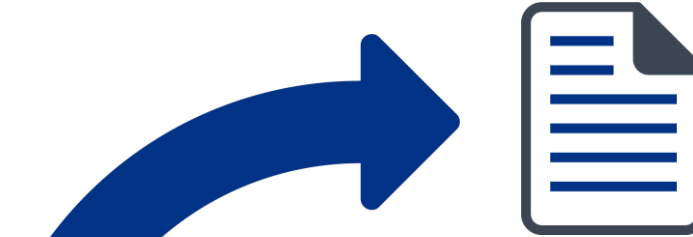
- Web Page
- Vision & Mission Statement
- Audit Charter
- Audit Information Packet
- Audit Process Description
- Frequently Asked Questions
- Brochure



IAD – CHARTER

The International Standards for the Professional Practice of Internal Auditing (Standards) require that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter.

The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.



IAD – CHARTER OUTLINE

- Purpose & Mission
- Standards
- Definitions
- Authority
- Independence and Objectivity
- Scope of IAD Activities & Responsibility
- Quality Assurance & Improvement Program

IAD – RESTRUCTURE

DEPARTMENT RESTRUCTURE

The organization structure of the IAD is in the process of redesign to increase efficiency, effectiveness, communications, and growth opportunities for the staff.

- Two vacant auditor positions.
- Create senior auditor position (with one vacant auditor position).
- Recruit to fill vacancies.
- Reclassify one internal audit position.



IAD – STRATEGIC PLAN

STRATEGIC PLAN *(In Process)*

The purpose of the plan is to help ensure the IAD maintains alignment with the College's objectives; makes meaningful contributions to the College's overall governance, risk management, and internal controls; meets stakeholder expectations; and remains relevant.

DRAFT IA GOALS & METRICS

- Establish IAD as the college-wide resource center for risk, control, and leading practice information.
- Provide College employees' education and training on aspects related to governance, risk management, and control.
- Implement technology to support and drive the audit process.
- 90% Completion of Audit Plan
- Satisfaction survey results average 4.5 out of 5.
- An average of 10 Business days from completion of field work to issuance of draft report.
- Audit staff maintain audit certifications and/or achieve 40 hours of continuing professional education (CPE) each year.

IAD – AUDIT PLAN MODIFICATIONS ENGAGEMENT/ PROJECT STATUS & AUDIT PLAN MODIFICATIONS

AUDIT PLAN MODIFICATIONS

The development of the 2020/2021 Audit Plan occurred during the consolidate of District's seven colleges into Dallas College. The ongoing organizational and structural changes necessitate the IAD to continuously reassess the risks and needs of the College and the stakeholders.

- | **Addition to Plan – Procurement** (Target Start Date: March 2021)
- | Operational Audit to evaluate efficiency and effectiveness of procurement policy and processes.

ENGAGEMENT STATUS

Currently 3 special reviews/investigations in progress based on management request or hotline reports.

INTERNAL AUDIT DEPARTMENT REPORT

Questions?

Audit Committee



TO: Audit Committee of the Board of Trustees

FROM: Lori K. M. Cox, Chief Internal Auditor

DATE: February 18, 2021

RE: Internal Audit Department (IAD), Audit Committee Report
2nd Quarter Ending February 28, 2021

The following Internal Audit Department (IAD) report to the Audit Committee for the quarter ending February 28, 2021 outlines: IAD Future Plan and Enhancement Updates, Engagement Updates, and 2020/2021 Engagement Plan Updates.

IAD - FUTURE PLANS & ENHANCEMENTS, UPDATES

The objective is to enhance the internal audit department and develop a “best-in-class” internal audit function serving as a model of excellence that embodies the definition of professional internal auditing.



Internal Audit Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The status of the IAD plans and enhancements is noted below:

Enhancement/Develop	Target Completion Date	Status/Revised Completion Date
Update Risk Assessment Processes	On-going	On-going
Mission & Vision	December 2020	Completed
Staff Training & Development Plans	December 2020	Completed
Audit Issues Tracking Process	January 2021	Completed
Audit Process Redesign	January 2021	Completed
Communications Plan	January 2021	In Progress/March 2021
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Quality Assurance & Improvement Program	March 2021	In Progress
Data Analytics Tool	April 2021	Research Started
Audit Management Tool	April 2021	Research Started

**Pending Review/Approval*

- **IAD VISION AND MISSION VISION**



VISION

To be recognized as a collaborative, strategic, trusted advisor and vital resource providing information, analyses and advice to help ensure operations are managed ethically, effectively and efficiently, thereby contributing directly to the continuous improvement of operations, governance, risk management and internal control practices.

MISSION

Guided by a philosophy of adding value, the mission of the Internal Audit Department is to enhance and protect organizational value by providing high-quality, objective, risk-based assurance and consulting services, advice, and insight, while embodying the commitment of improvement and betterment of the college, its students, and the community.

- **IAD STAFF TRAINING AND DEVELOPMENT**

Customized training and development plans for each staff member focusing on: the internal audit foundation, internal audit core competencies and attributes, and the phases of an internal audit.

- **IAD AUDIT ISSUES TRACKING PROCESS**

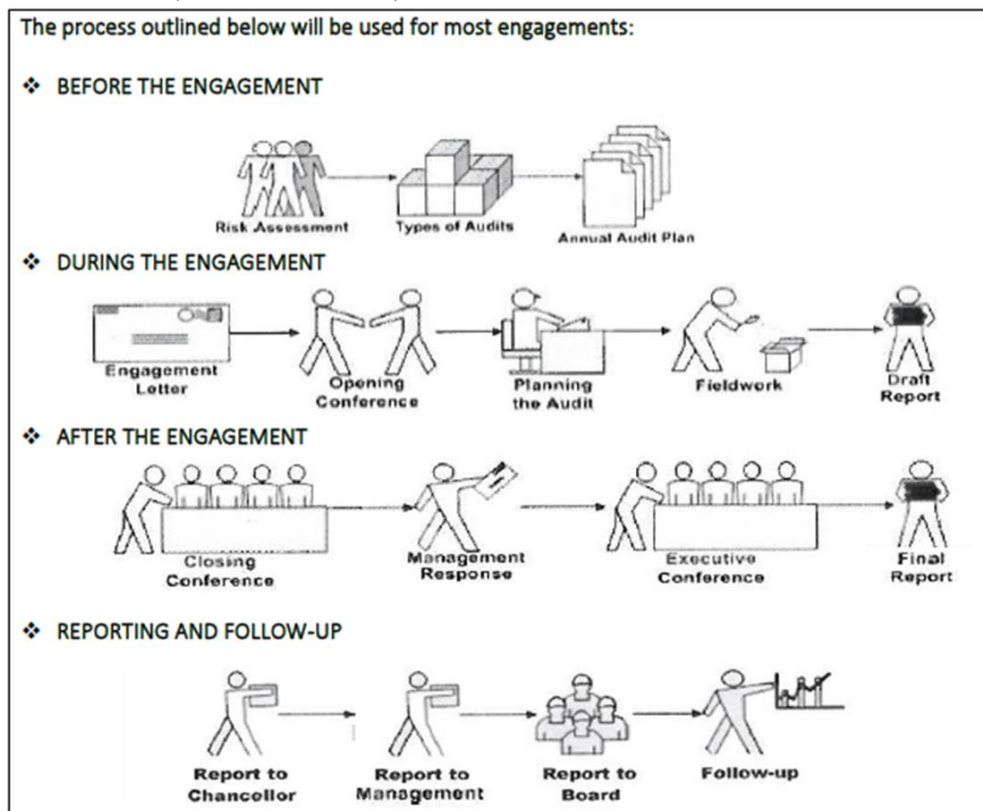


- **IAD COMMUNICATIONS PLAN**

The purpose of the communications plan is to provide information to all stakeholders regarding the purpose, role, and scope of the Internal Audit Department activities and requirements. The communications plan will include, but is not limited to:

- Web Page
- Vision & Mission Statement
- Audit Charter
- Audit Information Packet
- Audit Process Outline
- Frequently Asked Questions
- IAD Brochure

▪ IAD AUDIT (ENGAGEMENT) PROCESS REDESIGN



▪ IAD CHARTER



The International Standards for the Professional Practice of Internal Auditing (Standards) require that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter.

The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The charter (attached) includes information regarding the IAD:

- Purpose & Mission
- Standards
- Definitions
- Authority
- Independence and Objectivity
- Scope of IAD Activity & Responsibility
- Quality Assurance & Improvement Program

▪ **IAD RESTRUCTURE**

The organization structure of the IAD is in the process of redesign to increase efficiency, effectiveness, communications, and growth opportunities for the staff.

▪ **IAD STRATEGIC PLAN**

The IAD strategic plan is in process; the purpose of the plan is to help ensure the IAD maintains alignment with the College's objectives; makes meaningful contributions to the College's overall governance, risk management, and internal controls; meets stakeholder expectations; and remains relevant. The draft goals and metrics for inclusion in the strategic plan are:

- Establish IAD as the college-wide resource center for risk, control, and leading practice information.
- Provide College employees' education and training on aspects related to governance, risk management, and control.
- Implement technology to support and drive the audit process.
- 90% Completion of Audit Plan
- Satisfaction survey results average 4.5 out of 5.
- An average of 10 business days from completion of field work to issuance of the draft report.
- Audit staff maintain audit certifications and/or achieve 40 hours of continuing professional education (CPE) each year.

IAD ENGAGEMENT/PROJECT STATUS & AUDIT PLAN MODIFICATIONS

▪ **AUDIT PLAN MODIFICATIONS**

The development of the 2020/2021 Audit Plan occurred during the consolidate of District's seven colleges into Dallas College. The ongoing organizational and structural changes necessitate the IAD to continuously reassess the risks and needs of the College and the stakeholders.

- Addition to Plan – Procurement (Target Start Date: March 2021)
Operational Audit to evaluate efficiency and effectiveness of procurement policy and processes.

▪ **ENGAGEMENT STATUS**

Currently 3 special reviews/investigations in progress based on management request or hotline reports.

ITEMS FOR REVIEW NO. 5A-1

Audit Committee Notes for December 15, 2020

The Audit Committee Meeting of the Board of Trustees of Dallas College was held Tuesday, December 15, 2020, beginning at 1:00 p.m. on the Cisco Webex platform and was broadcast via the streaming link: <http://www.dcccd.edu/boardmeetingslive>. This meeting was convened by Audit Committee Chair JL Sonny Williams.

Board Members and Officers Present

- Ms. Monica Lira Bravo
- * Ms. Charletta Rogers Compton
- Ms. Diana Flores
- Dr. Joe May (secretary and chancellor)
- Mr. Philip J. Ritter
- * Mr. JL Sonny Williams (committee chair)
- * Ms. Dorothy Zimmermann

Members Absent

Mr. Wesley Jameson

- * *Denotes a committee member*

1. **Roll Call - Announcement of a Quorum** confirmed by Perla Molina.
2. **Certification of Notice** posted for the meeting confirmed by Chancellor Joe May.
3. **Citizens Desiring to Address the Board**
There were no citizens desiring to address the board.

4. Committee Presentations

- A. Comprehensive Annual Financial Report for Dallas College and Richland Collegiate High School and Single Audit Report of Federal and State Awards together with Reports of Independent Auditors, for the Fiscal Year Ended August 31, 2020
Presenters: John Robertson, McConnell and Jones

The Comprehensive Annual Financial Report (CAFR) for Dallas College and Richland Collegiate High School and Single Audit Report of Federal and State Awards was presented by Marlon Williams, Partner with McConnell and

Jones (MJ). Mr. Williams started the presentation by reviewing the values of MJ which include the following: creativity, inclusion, transparency, and accountability.

Overview of the CAFR

Mr. Williams proceeded to provide a high-level overview of figures contained in the CAFR. The overview of the CAFR included the following information.

- Total assets for 2020 were \$1,156.1 million, increased by \$28.3 million from 2019.
- Total liabilities for 2020 were \$656.9 million, decreased by \$15.1 million from 2019.
- Bonds payable for 2020 were \$147 million, decreased by \$51.07 million from 2019.
- Net position at August 31, 2020 was \$553.8, increased by \$55.9 million from 2019.
- Operating revenues for 2020 were \$108.2 million, decreased by \$.4 million from 2019.
- Operating expenses for 2020 were \$596.3 million, increased by \$42 million from 2019.
- Non-operating Revenues were \$544 million, increase by \$40.9 million from 2019.

Trustee Ritter asked Mr. Williams to articulate to the board the distinction between operating revenues and non-operating revenues as well as elaborating on the driving force of the increase in operating expenses.

Mr. Williams noted that the operating revenues for Dallas College include tuition and normal day to day activities. Further, Mr. Williams noted that operating revenues does not include revenue that is not generated from operations, such as taxes.

Further, Mr. Robertson noted that the Governmental Accounting Standards Board (GASB) released pronouncements approximately 10 years ago to split revenues between two categories, operating and non-operating revenues. Mr. Robertson noted that the College's three major revenue sources include tuition, state appropriations, and property taxes. As a result of the GASB pronouncement, state appropriations and property taxes were moved to non-operating revenues because they are not transaction based. Further, Mr. Robertson noted that the Management Discussion and Analysis (MD&A) reclasses all revenue sources to be presented as Total Revenue in exhibit II of

the MD&A. Mr. Robertson noted that the split revenue presentation is only included in the CAFR and that this presentation of revenue is how higher education institutions and all fifty community college districts report in the state of Texas.

Mr. Williams proceeded to elaborate on the operating expense drivers, noting that the primary increase in expenses was mostly due to instruction, institutional support, and salary related expenses.

Auditor Responsibilities

Mr. Williams continued and presented the responsibilities of the auditors set forth by the American Institute of Certified Public Accountants (AICPA) which include the following:

- Performing an audit under US GAAS of the financial statements prepared by management, with oversight from the board.
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP.
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole.
- Reading other information and considering whether it is materially inconsistent with the financial statements.
- Communicating specific matters on a timely basis.
- Reporting any material federal and state awards noncompliance.
- Reporting any significant deficiencies, including material weaknesses, in internal control over financial reporting and federal and state awards
- Forming and expressing an opinion regarding the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of Expenditures of State Awards (SESA).
- Summarizing Findings and questioned costs.
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole.
- Performing procedures for Richland Collegiate High School footnotes and related documents.
- Review of the schedule of current funds expenditures by individual campus and central administrative function.
- Communicating specific matters.

Mr. Williams noted that an audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve the board or management of their responsibilities. The auditor's respective responsibilities are described further in our engagement letter. Mr. Williams also noted that considering the size of the organization, auditors utilize the concept of materiality in public accounting to determine which items to look at and most of the audit is spent on material items.

Those Charged with Governance and Management Responsibilities

Mr. Williams continued with the presentation to then discuss the responsibilities of those charged with governance and management.

Those charged with governance are responsible for:

- Overseeing the financial reporting process.
- Setting a positive tone at the top and challenging the College's activities in the financial arena.
- Discussing significant accounting and internal control matters with management.
- Informing the auditor about fraud or suspected fraud, including its views about fraud risks.
- Informing the auditor about other matters that are relevant to the audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement.
 - Matters warranting particular audit attention Significant communication s with regulators.
 - Matters related to the effectiveness of internal control and related oversight responsibilities.
 - Views regarding current communications and actions regarding previous communications.

Management is responsible for:

- Preparing and fairly presenting the financial statements and SEFA and SESA in accordance with US GAAP and regulatory requirements.
- Designing, implementing, evaluating, and maintaining effective

internal control over financial reporting.

- Communicating significant accounting and internal control matters to those charged with governance
- Providing the auditors with unrestricted access to all persons and all information relevant to the audit.
- Informing the auditors about fraud, illegal acts, significant deficiencies, and material weaknesses.
- Adjusting the financial statements, including disclosures, to correct material misstatements.
- Informing the auditor of subsequent events.
- Providing the auditor with certain written representations.

Audit Timeline

Mr. Williams continued with the presentation to discuss the Audit Timeline prepared prior to the COVID pandemic noting that July through August 2020 included planning and interim procedures, October through November 2020 included preliminary risk assessment procedures, and November through December 2020 included final fieldwork and deliverables. Mr. Williams noted that this was the first audit predominately performed in a paperless environment with 99% of the work being performed without paper.

Materiality

Mr. Williams proceeded to discuss materiality and defined it as the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. Mr. Williams noted that materiality is based on a relevant financial statement benchmark and noted that MJ utilized Total Assets as an appropriate benchmark for the College and Total Expenditures as the appropriate benchmark for the Single Audit. Further, financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).

Use of the Work of Others

Mr. Williams discussed the use of the work of others during the audit. Mr. Williams noted that no specialists were used, and the auditors did not use the assistance of other companies or third parties. Further, Mr. Williams noted that the audit team received direct assistance from the College's Internal Audit

Department during testing of the Federal and State Single Audit programs and that the work was reviewed and managed by the MJ engagement team.

Significant Risks

Mr. Williams discussed significant risks and/or areas of focus associated with the audit which include the following: governance, state appropriations, Maintenance ad valorem taxes, Federal, state and non-governmental grants and contracts, Tuition revenue and related receivable or deferral, investments, payroll and related liabilities, pensions and related liabilities, operating expenses and related payables, long-term debt, fixed assets, net position, walk through of the internal control processes, fraud inquiries and procedures, and data analysis procedures. Mr. Williams noted that all balances were determined not to be materially misstated based on MJ's audit procedures.

Results of Audit

Mr. Williams noted that the results of the Audit included an Unmodified "clean" opinion, no scope limitations, no unresolved audit issues, no audit adjustments, no management letter comments, and there was open and effective communication with management throughout the engagement.

Results of Single Audit

There were no findings for the major programs audited which included Student Financial Assistance Cluster, H-1B Job Training Grants, Higher Education Emergency Relief Fund, and apprenticeship USA grants. However, there was a prior year audit finding, Post-9/11 Veterans Educational Assistance, that was part of the non-major programs audited where there were two instances identified where funds were not applied to student's accounts within 30 days.

Trustee Flores questioned if the two instances identified for the Post 9-11 Veterans Educational Assistance program were from the previous audits or if these were new instances. Mr. Williams noted that these were new instances. Trustee Flores asked Mr. Robertson if there were measures being put in place to prevent instances in the future. Mr. Robertson confirmed that measures are being put in place to prevent instances going forward.

Other Required Communications

Mr. Williams presented other required communications noting that there were no disagreements with management, the auditors were not aware of any

consultations by management with other accountants regarding accounting or auditing matters other than standard communication with the prior auditor, the auditors reviewed the College's CAFR, which contains audited financial statements and unaudited information, and did not identify any material inconsistencies or misstatements of fact related to the audited financial statements or unaudited information, and that the auditors encountered no significant difficulties during the audit.

Quality of Accounting Practices

Mr. Williams noted that the accounting policies of the College are reasonable. Mr. Williams noted that the auditors performed tests over the following accounting estimates to satisfy themselves that these amounts were free from material misstatements: allowance for doubtful receivables, estimate of the useful lives of capitalized assets, College's net pension liability and total pension liability, post-employment benefit liability, current liability for compensable absences. Further, Mr. Williams noted that there is one estimate specifically that they want management to revisit and will be discussed later in the presentation. Mr. Williams also noted that the auditors have assessed the financial statement and single audit disclosures for clarity and completeness and footnote disclosures appear overall to be neutral, consistent and clear. There is also a COVID note that is being prepared by management.

Value for Fees

Mr. Williams presented the status of following required deliverables;

- Report on the 2020 financial statements was completed.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards was completed.
- Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by Uniform Guidance Act and the State of Texas Single Audit Circular was completed.
- Provided timely and appropriate communication with management and the Audit Committee regarding technical audit, accounting, and internal control matters.
- Issued written communications to management and the Audit Committee of certain other matters (not determined to be significant deficiencies or material weaknesses) noted during our audit.
- Performed CDAA procedures and provided management with results of testing.
- Data Collection Form.

- Mr. Williams noted that the Data Collection Form will be completed within 30 days from the completion of the audit.
- Report on Compliance with the Public Funds Investment Act
 - Mr. Williams noted that procedures have been performed and the report is being prepared.

COVID-19

Mr. Williams noted that the World Health Organization declared a pandemic related to COVID-19 and in early 2020, the Federal Government and State of Texas declared a state of emergency due to the virus. As a result, Mr. Williams noted that the College has suffered some lost revenue and have incurred costs related to the virus. Mr. Williams also noted that historically student tuition receivables have been 19-20 million dollars. However, this year student tuition receivables increased to approximately 35 million, but it is not certain that this is COVID related. Mr. Williams noted that the auditors have recommended that management reevaluate the allowance for doubtful accounts methodology in the upcoming quarter or early of next year, to ensure that it is reasonable based on the collection efforts.

After the conclusion of the CAFR presentation, Mr. Robertson noted that the audit committee would like to make a recommendation to the board for approval to file the CAFR on January 1, 2021 as required by state law to be distributed to various sources at the state and federal levels. A consensus of approval from the audit committee was received and confirmed to move forward with approval of the CAFR at the regular board meeting.

- B. Internal Audit (IA) Department Audit Committee Report 1st Quarter Ending November 30, 2020
Presenter: Lori Cox

Robert Wendland introduced Lori Cox, Chief Internal Auditor, who joined in October 2020 and welcomed her to Dallas College. Ms. Cox noted that she has 20 years of internal audit experience and expressed her excitement to work with Dallas College.

Ms. Cox proceeded to provide the 1st Quarter Ending presentation.

Audit and Project Status

Ms. Cox began by providing audit and project status for the following items:

- Athletics Audit - Completed, Final Review Phase
 - Completed and in final review phase with a target issuance date of December 21, 2020.

- Financial and Single Audit Assistance - Completed
 - The team assisted external audit firm MJ in performing audit work in support of the year-end financial and single audits.

Upcoming audits and projects

Ms. Cox continued with discussing the following upcoming audits and projects:

- Special projects/investigations
 - As needed based on requested and/or Fraud Hotline Reporting.
- Audit Follow-up
 - Review status of addressing/correcting prior audit issues. Currently developing a mechanism to track outstanding audit issues and a regular follow up schedule until resolution.
- Dallas County Promise
 - Carry-over from the 2019-2020 audit plan. Performance and operational audit to determine achievement of program goals and objectives and opportunities for process improvements.
- Operational Audits/Process Reviews
 - Continued risk assessment to identify critical operational and process review areas; develop review plans accordingly.

Future Plans and Enhancements

Ms. Cox proceeded to discuss future plans and enhancements for internal audit noting that there are many. Ms. Cox noted that the objective is to enhance the internal audit department and develop a “best-in-class” internal audit function serving as a model of excellence and embodying the definition of professional internal auditing.

Ms. Cox noted that the Institute of Internal Auditors (IIA), which is the governing body of the internal audit profession and sets the internal audit standards world-wide, defines internal auditing as an independent, objective assurance and consulting activity designed to add value to and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Ms. Cox noted that she worked for the IIA and is very familiar with standards and internal audit processes.

Ms. Cox discussed how the current audit plan notes that internal audit conducts risk-based assurance engagements and investigations. The IIA definition goes into more detail than what is in our current audit plan and we will plan to adopt and embody it going forward. It includes consulting activities such as providing guidance, direction, and information. For example, reviewing policy and

providing internal controls, or involvement in new system implementation in order to provide guidance and/or controls, and discussing risk. Internal audit brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal audit can aid in risk management which is identifying and suggesting ways to mitigate risk that the college is facing and provide assistance in improving governance processes and structures that are put in place to inform, direct, and manage the organization.

Internal audit's key areas of focus include the following, understanding the business, operating under the internal audit standards, assessing risk and developing a strategy to help the organization mitigate risks, to execute engagements and perform audit work, investigations, and consulting, assisting with improving and evaluating governance, and reporting all activities to the board and leadership.

Ms. Cox discussed the following enhancements/developments and target implementation dates.

- Update Risk Assessment Processes, On-going
- Mission and Vision, December 2020
- Staff Training and Development Plans, December 2020
- Audit Issues Tracking Processes, January 2021
- Audit Process Redesign, January 2021
- Communications Plan, January 2021
 - This plan includes communicating the role and services that internal audit can provide. Internal audit will be developing a brochure and audit information packet that will describe the audit process and expectations of management, department, and internal audit. Internal audit will also develop a stronger web presence.
- Department Charter, January 2021
 - The Department Charter is a document required by the IIA that formally outlines the roles, responsibilities and reporting relationships of the internal audit function.
- Department Restructure, January 2021
 - There are currently two open audit positions that internal audit will be restructuring to be senior level positions that will also create advancement opportunities within the department.
- Strategic Plan, January 2021
- Department Manual Update, February 2021
- Quality Assurance and Improvement Program, March 2021

- This program is a requirement of the internal audit standards to ensure that the department is adhering to quality standards. This program includes a process to ensure that work is reviewed appropriately, internal assessments, and external assessments performed by an outside party.
- Data Analytics Tool, April 2021
 - Internal audit will be assessing which tool will work best and procure the tool in the second or third quarter.
- Working Paper Software Tool, April 2021
 - Assists in more efficiency and consistency in the development of working papers and supporting documents for audits.

Trustee Flores requested that Ms. Cox share the communications plan and strategic plan with the board. Ms. Flores was interested in seeing the structure of these plans such as outcomes and performance metrics, etc. Trustee Flores also inquired if these would be completed in January 2021. Ms. Cox noted that she would share these plans with the board, and these would be completed in January 2021.

5. Items for Review

A. Committee Notes

- 1) Audit Committee Notes for October 6, 2020.
There were no changes necessary.

6. Executive Session

There was no executive session.

7. Adjournment

The audit committee adjourned at 1:53 p.m.

Captioned video and transcripts for Dallas College Board Meetings are available at our website, www.dcccd.edu/boardmeetingslive, under the Archived Videos section.

The International Standards for the Professional Practice of Internal Auditing (Standards) require that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

DEPARTMENTAL CHARTER

PURPOSE AND MISSION

The Internal Audit Department (IA) is an independent, objective, assurance and consulting service designed to add value and improve the operations of Dallas College (DC). IA helps DC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and help to improve the effectiveness of risk management, control, and governance processes. While practicing stringent regard for safekeeping and confidentiality of information received, IA will furnish analysis, appraisal, recommendations, advice, and information concerning the activities reviewed. Internal Audit is concerned with any phase of DC activity where the department can be a service to the Audit Committee of the Board of Trustees (Audit Committee), the Chancellor, senior management, faculty, and staff.

Guided by a philosophy of adding value, the mission of the Internal Audit Department is to enhance and protect organizational value by providing high-quality, objective, risk-based assurance and consulting services, advice, and insight, while embodying the commitment of improvement and betterment of the college, its students, and the community.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The IA Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *the Standards*, and the Definition of Internal Auditing. The CAE will report periodically to the Audit Committee, the Chancellor, and senior management regarding the IA Department's conformance to the Code of Ethics and the *Standards*.

DEFINITIONS

- **Assurance**
An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, operational, and system security engagements (audits).
- **Code of Ethics**
The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both individuals and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.
- **Consulting Services**
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.
- **Control**
Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
- **Core Principles for the Professional Practice of Internal Auditing**
The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.
- **Governance**
The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.
- **Independence**
The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

- **Recommendation**
Actions Internal Audit recommends be taken to correct the audit issue. The audit recommendation is designed to help the department achieve its goals and address the issue's root cause.
- **Risk**
The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
- **Risk Appetite**
The level of risk that an organization is willing to accept.

AUTHORITY

The Chief Internal Auditor (the Chief Audit Executive – CAE) will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to General Counsel. To establish, maintain, and assure that the IA Department has sufficient authority to fulfill its duties, the *Audit Committee* will:

- Approve the IA Department's Charter.
- Approve the risk-based internal audit plan.
- Approve the IA Department's budget and resource plan.
- Receive communications from the CAE on the IA Department's performance relative to its plan and other matters.
- Considering recommendations from the Chancellor, approve decisions regarding the appointment and removal of the CAE.
- Approve the compensation of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, and communicate and interact directly with, the Audit Committee including in private meetings, as permitted by law, without management present.

The CAE shall remain independent and objective with the ability to report directly to the Audit Committee of the Board of Trustees, any situation where the auditor perceives a conflict of interest with, or on the part of, the Chancellor's involvement with the subject of an audit. In addition, Internal Audit shall have the ability to report directly to outside legal counsel or an applicable state agency any situation where the auditor perceives a conflict of interest with, or on the part of, the Audit Committee of the Board of involvement with the subject of an audit.

The Audit Committee and Chancellor authorizes the IA Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of DC, as well as other specialized services from within or outside DC, in order to complete the engagement.

INDEPENDENCE AND OBJECTIVITY

The CAE will ensure that the IA Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for DC or its affiliates.
- Initiating or approving transactions external to the IA Department.
- Directing the activities of any DC employee not employed by the IA Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the CAE has, may, or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the IA Department. The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

SCOPE OF INTERNAL AUDIT ACTIVITIES & RESPONSIBILITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, Chancellor, and senior management, and outside parties on the adequacy and effectiveness of governance, risk management, and internal control processes and structures for DC. Internal audit assessments include evaluating:

- Risks relating to the achievement of DC's strategic objectives are appropriately identified and managed.
- The adequacy and effectiveness of the DC's internal control structure.
- The actions of DC's officers, directors, employees, and contractors are in compliance with DC's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact DC.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Effective business processes to achieve internal control at a reasonable cost.

The CAE will report periodically to the Audit Committee, the Chancellor, and senior management regarding:

- The IA Department's purpose, authority, and responsibility.
- The IA Department's plan and performance relative to its plan.
- The IA Department's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee, Chancellor, or senior management.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to DC.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IA Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the IA Department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

RESPONSIBILITY

The CAE has the responsibility to:

- Submit, at least annually, to the Audit Committee and the Chancellor a risk-based internal audit plan for review and approval.
- Communicate to the Audit Committee, the Chancellor, and senior management any impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in DC's business, risks, operations, programs, systems, and controls.
- Communicate to the Audit Committee, the Chancellor, and senior management any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed if applicable, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Audit Committee, the Chancellor, and senior

- management (as necessary and applicable) any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
 - Ensure the IA Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
 - Ensure trends and emerging issues that could impact on DC are considered and communicated to the Audit Committee, the Chancellor, and senior management as appropriate.
 - Ensure emerging trends and successful practices in internal auditing are considered.
 - Establish and ensure adherence to policies and procedures designed to guide the IA Department.
 - Ensure adherence to DC's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee, the Chancellor, and senior management as applicable.
 - Ensure conformance of the IA Department with the *Standards*, unless the IA Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.

If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IA Department conforms with *the Standards*, even if the IA Department also conforms with the more restrictive requirements of the other authoritative bodies.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IA Department will maintain a quality assurance and improvement program that covers all aspects of the IA Department. The program will include an evaluation of the IA Department's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IA Department and identify opportunities for improvement. The CAE will communicate to the Audit Committee, the Chancellor, and senior management (as applicable) regarding the IA Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside DC.