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 AN AUDIT COMMITTEE MEETING OF THE BOARD OF TRUSTEES FOR DALLAS COLLEGE AND RICHLAND COLLEGIATE HIGH SCHOOL

Tuesday, September 14, 2021, 1:00 p.m.
1601 Botham Jean Blvd., Room #036, Dallas, Texas 75215
www.dcccd.edu/boardmeetingslive

THIS MEETING WILL BE CONDUCTED PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.127 BY VIDEOCONFERENCE CALL. AT LEAST A QUORUM OF THE BOARD OF TRUSTEES WILL BE PHYSICALLY PRESENT AND PARTICIPATING IN THE MEETING IN PERSON AT 1601 BOTHAM JEAN BOULEVARD, DALLAS, TEXAS 75215. ONE OR MORE MEMBERS OF THE BOARD OF TRUSTEES MAY BE PARTICIPATING FROM A REMOTE LOCATION VIA VIDEOCONFERENCE CALL AND SHALL BE VISIBLE AND AUDIBLE TO THE PUBLIC .

Audit Committee Agenda

Page

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

Year 2021-2022

4.2) IAD Engagement Plan_Risk Assessment_FY2021-22 📎

Presenter: Lori Cox

5. Items for Review

5.1. Committee Notes

a. Audit Committee Notes for June 1, 2021

5.1.a) 2021JUN1_audit committee meeting notes 📎

6. Executive Session

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

6.2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignments, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074
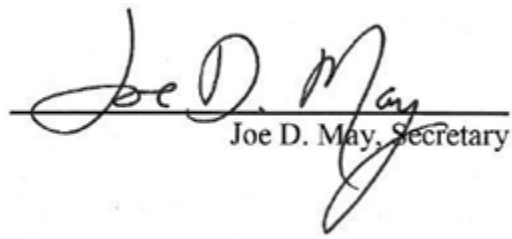
6.3. Deliberate Regarding Real Property Since Open Deliberation would have a Detrimental Effect Upon Negotiations with a Third Person - Section 551.072

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

7. Adjournment

CERTIFICATION OF NOTICE POSTED FOR THE SEPTEMBER 14, 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 Dallas College website on the 10th day of September 2021 in accordance with those provisions of section 551.043 (a)-(b)(1) of the Texas Government Code, and 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

DALLAS COLLEGE

TO: Audit Committee of the Board of Trustees

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

DATE: September 1, 2021

RE: Internal Audit Department (IAD), Audit Committee Report
             4th Quarter Ending August 30, 2021

The following Internal Audit Department (IAD) report to the Audit Committee for the quarter ending August 31, 2021 outlines Engagement Updates and Enhancement Plan Updates and provides an overview of the engagement planning and risk assessment process for fiscal year 2022. The complete Fiscal Year 2022 Internal Audit Engagement Plan and Risk Assessment is attached to this report.

ENGAGEMENT UPDATES
➢ **OPERATIONAL AND COMPLIANCE AUDITS**
- **Procurement**
  Status: Completed – Reporting In Progress
  The focus of this review included contract processing analysis, transaction spend and processing cycle time analysis, procurement's process to review and assess accessibility, campus-based procurement, bond controls, and system configuration with an emphasis on segregation of duties. This portion of the audit concluded August 31; issues will be discussed with management and then reported to the Board. Going forward in fiscal year 2022, different components of Procurement will be reviewed – and results reported – quarterly.

- **Fixed Assets**
  Status: Completed – Reporting in Progress
  Due to significant staff transitions, implementation of new systems and processes, and the pandemic related impacts on the completion of the 2019-2020 inventory, currently fixed asset controls, processes, and procedures need strengthening. Fixed asset staff are implementing plans and procedures – including substantial training - to address all related issues. IAD will continue to evaluate this area throughout fiscal year 2022 and assist in enhancing controls and accuracy of fixed asset reporting.

- **Richland Collegiate High School**
  Status: Completed
  Audit for compliance with Texas Education Agency attendance verification requirements. *No exceptions noted.*

➢ **SPECIAL REVIEWS, CONSULTING ENGAGEMENTS & FOLLOW-UP AUDITS**
- **Automotive Program Follow-up**
  Status: Follow-up Postponed/Consulting Engagement In Progress
  Due to program restructuring and significant staff turnover the follow-up will be postponed. However, IAD will work with the new Department Chair and Lab Managers to consult on the development and implementation of new processes and procedures including inventory management.

- Workday Implementation Participation
  Status: In Progress/On-Going
  Ongoing review of overall weekly project health which includes the schedule, resources, budget, and scope. As the Workday project progresses emphasis will be placed upon the review of configuration builds and test plans. **No current exceptions noted.**

- Day Teaching Follow-up Audit
  Status: Completed – Reporting in Process
  Processes related to Day Teaching have changed since the prior audit. Recommendations to strengthen and modify the adjusted work schedule process to ensure timeliness and accuracy will be communicated to management.

➢ **OTHER SERVICES, DUTIES, & SPECIAL PROJECTS**
  - External Audit Assistance
    Status: Anticipated Start - September 1, 2021
    Perform audit work under the direction of the external auditors as requested.

  - Special Investigations/Reviews
    Status: Complete as needed/requested.
    Special investigations and reviews of varied complexity to address, review, or substantiate allegations; provide information; and/or provide recommendations. Two (2) Special Investigations/Reviews – originated from special requests - completed or in progress at the end of the 4th Quarter.

  - Fraud Hotline Administration & Monitoring
    Status: Completed and On-going
    Reviewed and investigated 10 reports since January 2021. **No incidents of fraud, waste, or abuse identified or substantiated**

FISCAL YEAR 2022 AUDIT PLAN AND RISK ASSESSMENT – PROCESS OVERVIEW

Identify Objectives *(Start)* → Identify Risks → Measure Risks → Prioritize Risks → Select Engagements & Develop Plan

The risk assessment process is a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the College to help manage risks, provide independent assurance, and consult on projects, implementations, and initiatives.

The Fiscal Year 2022 Engagement Plan and Risk Assessment is attached.

IAD ENHANCEMENT PLAN UPDATES

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

Enhancement/Development	Target Completion Date	Status/Revised Completion Date
Update Risk Assessment Process	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	Completed
Department Charter	January 2021	Completed
Department Restructure	January 2021	Completed
Strategic Plan	January 2021	Completed
Department Manual Update	November 2021 (Revised)	In Progress
Quality Assurance and Improvement Program	November 2021 (Revised)	In Progress
Data Analytics Tool	March 2022	Postponed
Working Paper Software Tool	April 2021	In Procurement Process

DALLAS COLLEGE

Internal Audit Engagement Plan & Risk Assessment
Fiscal Year 2021-2022

Dallas College Internal Audit Department
Chief Internal Auditor: Lori Cox
Audit Team: Paul Styrvoky
Amanda Benson
Averil Fuller
Antanette Malone

INTERNAL AUDITING STANDARD - PLANNING

The Chief Audit Executive (CAE) is responsible for developing a risk-based engagement plan, considering the organization's risk management framework. *If a framework does not exist, the CAE uses his/her own judgment of risks after consideration of input from senior management and the board. The CAE must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.*

OBJECTIVES

The primary objective of the risk assessment process is to build a comprehensive, data-driven, and objective risk-based engagement plan that follows a business focused approach and allows flexibility. The engagement plan is designed to provide the College with the most comprehensive, timely audit coverage possible utilizing the resources available to the Internal Audit Department. As it is impractical to provide audit coverage to all College departments and functions on an annual basis, audit work is prioritized based on risk.

OUR 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.

OUR MISSION:

Guided by a philosophy of adding value, the mission of the Internal Audit Department (IAD) 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.
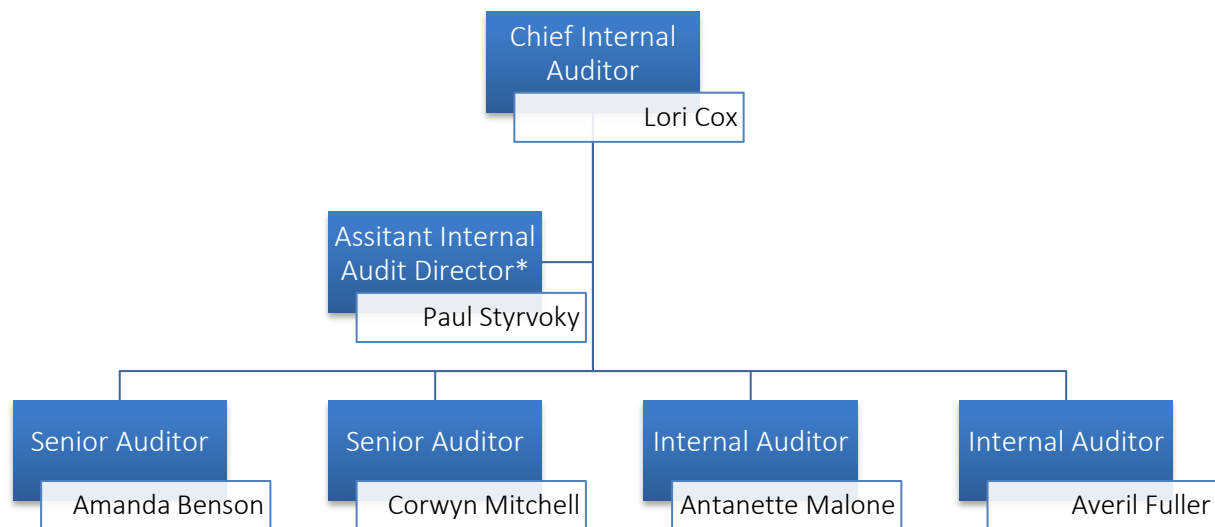
DEFINITION OF INTERNAL AUDIT

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

In addressing our mission, the Internal Audit Department (IAD) supports and assists College leadership and staff in the effective discharge of their responsibilities and achievement of strategic objectives by providing analyses, recommendations, advice, and information concerning:
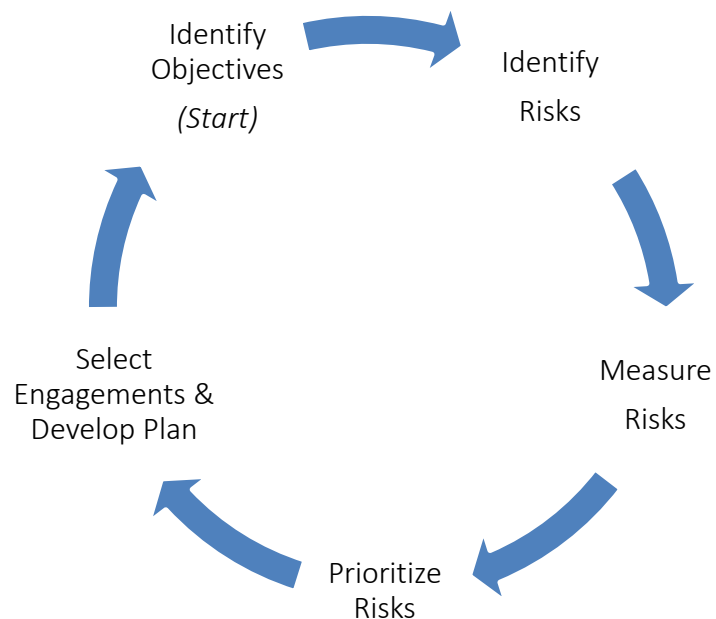
- The adequacy and effectiveness of the College 's internal control structure.
- The safeguarding of assets.
- Compliance with applicable laws and regulations.
- Achievement of management's operational objectives; and
- Effective business processes to achieve internal control efficiently and at a reasonable cost.

INTERNAL AUDIT DEPARTMENT STRUCTURE

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                    ┌─────────────────────┐
                    │ Chief Internal      │
                    │ Auditor             │
                    │            Lori Cox │
                    └─────────────────────┘
                              │
              ┌───────────────────────────┐
              │ Assitant Internal         │
              │ Audit Director*           │
              │          Paul Styrvoky    │
              └───────────────────────────┘
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Senior Auditor	Senior Auditor	Internal Auditor	Internal Auditor
Amanda Benson	Corwyn Mitchell	Antanette Malone	Averil Fuller

{Note: Staff report to Assistant Director on a project basis.]

RISK ASSESSMENT PROCESS OVERVIEW

Identify Objectives *(Start)* → Identify Risks → Measure Risks → Prioritize Risks → Select Engagements & Develop Plan → (back to Identify Objectives)

IAD, Engagement Plan Fiscal Year 2021/2022
Page 2 of 7

IDENTIFY OBJECTIVES

The IAD's risk assessment and audit plan supports the College's commitment to the following Board of Trustees defined priorities:

1. Impact Income Disparity Throughout Our Community
2. Streamline and Support Navigation to and Through Our College and Beyond
3. Strengthen the Career Connected Learner Network and Implement the Student-Centric One College Organization
4. Foster an Equitable, Diverse and Inclusive Environment for Employees and Students
5. Re-design Professional Development to Create a Diverse and Inclusive High Performing Work and Learning Environment
6. Serve as the Primary Provider in the Talent Supply Chain Throughout the Region
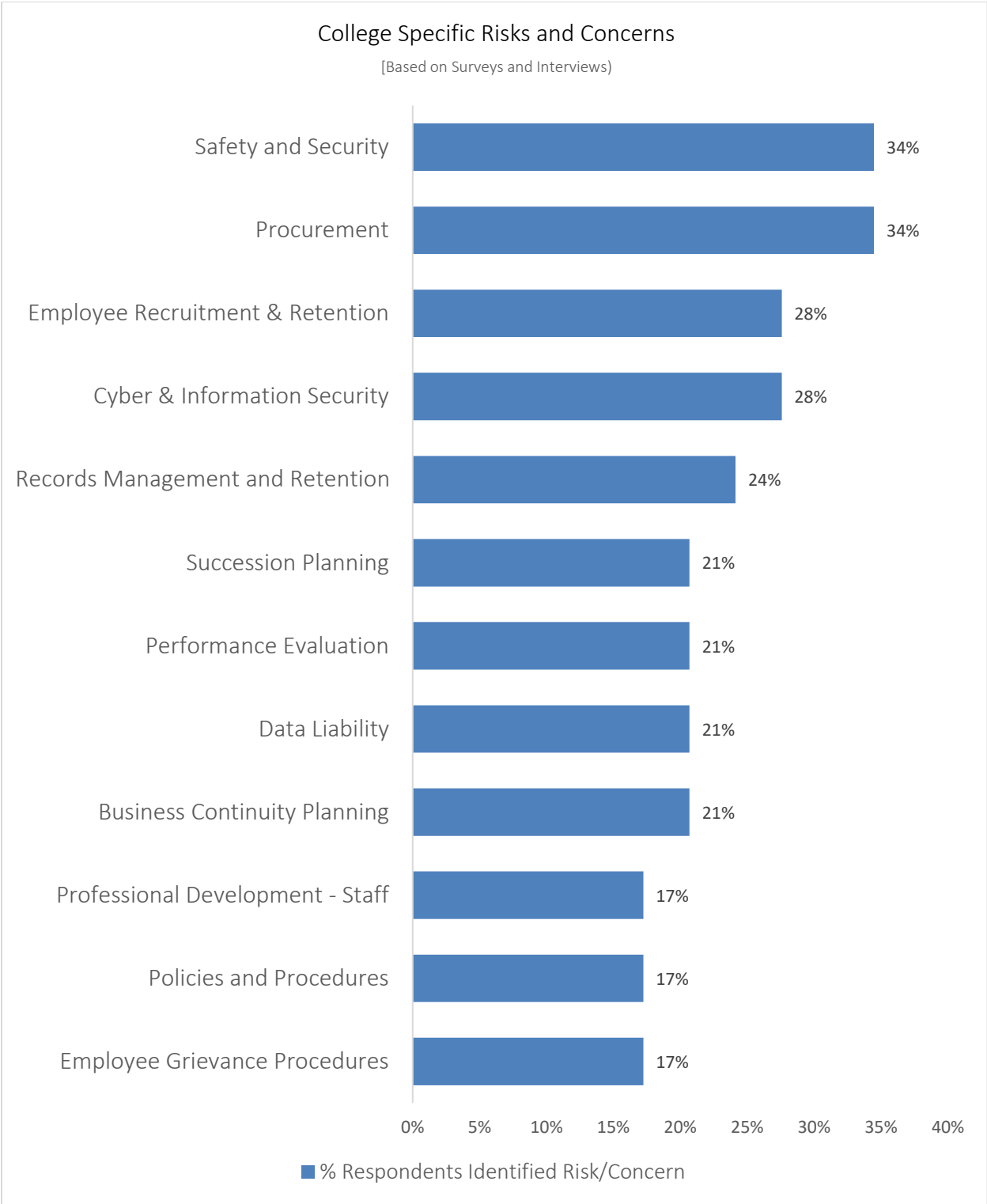
IDENTIFY RISKS

In conducting the risk assessment IAD met with senior management and surveyed staff to solicit information to understand areas of risk within the College. The risk assessment process will be a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the College to help manage risks, provide independent assurance, and consult on projects, implementations, and initiatives. In addition, IAD reviewed College information and reports; researched risks common to higher education and other organizations; and reviewed the top topics on corporate internal audit plans, to gain a more holistic view of risks that may be relevant to the College. Items identified include:

➢ Top 5 Higher Education and Organizational Risks for 2021/2022
  ▪ Business Continuity Management
  ▪ Cybersecurity & Information Security
  ▪ Economic Conditions
  ▪ Enterprise Risk Management/Regulatory Risk
  ▪ Student Recruitment

➢ Top 5 Topics on Internal Audit Plans for 2021/2022
  ▪ Business Continuity & Crisis Management
  ▪ Cybersecurity & Information Security
  ▪ Fraud
  ▪ IT Governance
  ▪ Regulatory Risk

➢ College Specific Risks and Concerns
  In addition to employee interviews and survey results, information used to identify potential College specific risks and concerns included:
  ▪ Comprehensive Annual Financial Report: Fiscal Years August 31, 2019 and 2020
  ▪ Strategic Priorities Dallas College Board of Trustees 2020-2021
  ▪ Board Policy Manual, Business and Support Services (Various)
  ▪ Internal Audit Department Reports Fiscal Years 2018-2019 and 2019-2020

College Specific Risks and Concerns

[Based on Surveys and Interviews]

Risk/Concern	% Respondents Identified Risk/Concern
Safety and Security	34%
Procurement	34%
Employee Recruitment & Retention	28%
Cyber & Information Security	28%
Records Management and Retention	24%
Succession Planning	21%
Performance Evaluation	21%
Data Liability	21%
Business Continuity Planning	21%
Professional Development - Staff	17%
Policies and Procedures	17%
Employee Grievance Procedures	17%

■ % Respondents Identified Risk/Concern

MEASURING RISKS

The significance of risks is assessed based on impact, probability, and velocity.

- **Impact (I):** *The effect on the College and stakeholders if a risk event occurs or if the area is not functioning as intended.*
  Impact can include lost revenue, increased expenses, fines, adverse publicity, sanctions, reputational damage, and reduced employee morale.

- **Probability (P):** *The likelihood that a risk event occurs or that the area is not functioning as intended.*
  Probability factors can include prior audit results, turnover, management and staff concerns, lack of internal monitoring and/or governance, operational and control weaknesses, and poor training.

- **Velocity (V):** *The pace the organization is expected to experience the impact of risk.*
  The speed of regulatory enforcement action is an example of velocity.

		Area/Function/Risk			
PROBABILITY	Almost Certain				
	Likely			▪ Cyber & Information Security* ▪ Procurement ▪ Operating Policies & Procedures ▪ Professional Development-Staff ▪ Safety & Security ▪ Succession Planning	▪ Business Continuity Planning*
	Possible		▪ Data Liability ▪ Employee Grievance Procedures ▪ Records Management and Retention	▪ Employee Recruitment & Retention ▪ Performance Evaluation	
	Unlikely				
	Rare				
VELOCITY (1)		Insignificant	Minor	Moderate	Major	Catastrophic
		IMPACT				

(1) Velocity is measured as Rapid, Reasonable, or Slow
* Areas of rapid velocity.

PRIORITIZE RISKS AND PLAN DEVELOPMENT

➢ *Prioritization Factors (PF)*
Factors used to prioritize risks and build the engagement plan include:
- Overlapping Higher Education/Organizational Risks and Internal Audit Plan Topics
- College Specific Risk & Concerns rated as: (a) Major or Catastrophic Impact, (b) Likely or Almost Certain Probability, or (c) Rapid Velocity.
- Required by auditing standards or other regulation.

➢ *Additional Planning Considerations (APC)*
- Internal Audit Resources
- Engagement recently completed or planned (or carryover).
- Current or upcoming operational and system changes.
- Included in another engagement/review.

➢ Special Requests (SR)
Noted in the prioritization summary below.

PRIORITIZATION SUMMARY

Area/Function/Risk	PF	APC	SR	Included 2021.2022 Plan - or - Future Plan (FP)
Business Continuity Planning	✓			Yes
Cares Act Funding			✓	Yes
CLERY Compliance			✓	Yes
Cyber & Information Security	✓			Yes
Data Liability		✓		FP
Employee Recruitment & Retention		✓		FP
Fixed Assets			✓	Yes
Employee Grievance Procedures		✓		FP
Performance Evaluation		✓		FP
Police Dept. Property Room			✓	Yes
Policies and Procedures		✓		No*
Procurement	✓			Yes
Professional Development - Staff	✓			Yes
Records Management & Retention		✓		FP
Richland Collegiate HS - Attendance	✓			Yes
Richland Collegiate HS - Curriculum Compliance			✓	Yes
Safety & Security	✓			Yes
Succession Planning	✓			Yes
Technology Governance	✓		✓	Yes

*A review of applicable policies and procedures will be incorporated into each engagement as appropriate.

In addition, top items that did not meet prioritization factors, items of general concern, and/or or "governance related" (i.e., accountability, collaboration) - from interviews and questionnaires – will be discussed with the College leadership as applicable and appropriate and addressed through consulting engagements where possible and time permitting.

AUDIT PLAN – FY 2021-2022

ENGAGEMENT TYPE	DESCRIPTION	TARGET FISCAL QUARTER
Audits/Continuous Audits	Cyber & Information Security	Cont.
	Fixed Assets	Cont.
	Procurement	Cont.
	Richland Collegiate High School Attendance	4th
	Safety & Security	Cont.
Special Reviews/ Consulting Engagements	Cares Act Funding Review	1st
	CLERY Compliance	2nd
	Police Department Property Room	3rd
	Professional Development	4th
	Richland High School Curriculum Compliance	1st
	Succession Planning	4th
Follow-up Audits	Dual Credit	2nd
	Employee Travel	3rd
	IT General Controls	2nd
OTHER SERVICES, DUTIES, & SPECIAL PROJECTS		
Business Continuity Planning		
External Audit Assistance - 2021 Financial and Single Audit		
Fraud Hotline Administration and Monitoring (On-Going)		
Investigations (As Needed)		
Technology Governance		
Workday Implementation Participation (On-Going)		

Cont. – The review will be broken down into separate focus areas, completed periodically, due to the size and scope of the function/department.

PLAN FLEXIBILITY
To ensure the IAD can respond timely to emerging risks and issues, the Audit Plan is subject to change due to:
- New or emerging risks or priorities
- Management requests
- Special investigations or reviews
- Special consulting services/engagements

IAD HORIZONS
In addition to the activities outlined on the Engagement Plan, IAD development projects planned for the 2021/2022 fiscal year include:
- Fraud Hotline "Redevelopment"
- Internal Audit Related Training for College Employees
- Development of a continuous audit processes for key College functions/departments.
- Implementation of Audit Management Application to streamline IAD efficiency and effectiveness.

<u>ITEMS FOR REVIEW NO. 5.1.a.</u>

<u>Audit Committee Notes for June 1, 2021</u>

The Audit Committee Meeting of the Board of Trustees of Dallas College was held Tuesday, June 1, 2021, beginning at 1:31 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 Member Dorothy Zimmermann.

<u>Board Members and Officers Present</u>
    Ms. Monica Lira Bravo
    Ms. Charletta Rogers Compton
    Ms. Diana Flores
    Dr. Joe May (secretary and chancellor)
    Mr. Philip J. Ritter
*   Ms. Dorothy Zimmermann
*   Mr. Cliff Boyd

<u>Members absent</u>
*   Mr. JL Sonny Williams (committee chair)

* *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**
   None.

4. **<u>Committee Presentations</u>**
   1. Internal Audit Report, 3rd Quarter Ending May 31, 2021
      Presenter: Lori Cox

      <u>Audit Plan & Engagement Updates</u>
      Ms. Cox provided an update regarding the following items: operational audits, compliance audits, special reviews, consulting engagements, follow-up audits, other services, duties, and special projects.

- Athletics
  Status - Completed in the 1st Quarter with no exceptions.
- Procurement
  Status - Planning Phase in progress - Target completion: 4th Quarter (July 2021)
  Procurement is an addition to the FY20/21 Plan. The IAD will be reviewing procurement policy, processes, procedures, and systems to determine if internal controls are adequate and functioning properly as well as the efficiency and effectiveness of operations.
- Richland Collegiate High School Attendance Audit
  Status - Start Planned for July 2021
- Fixed Assets: Status
  Start Planned for July 2021
  The IAD will be modifying how fixed assets are reviewed in the upcoming audit. The IAD will be reviewing the systems and the process for recording, valuing, and disposing of assets to determine if controls are adequate and functionally properly to ensure accuracy and validity of assets and related systems. The IAD will also follow-up on issues noted in the FY18/19 audit to identify if recommendations have been implemented.
- Workday Implementation Participation
  Status -In Progress/On-Going
  Workday Implementation Participation is an addition to FY20/21 plan. The IAD will review recommendations of project management and make recommendations on key control designs in the new system.
- Follow-up Audits
  The IAD will be following up on issues identified (based on significance of issues) in previous audits from FY18/19 and FY19/20. The purpose of these follow-ups is to review previously reported issues and review the status of addressing those items. These follow-up audits include the following: Day Teaching (2019/2020 Audit) with a planned start date in June 2021 and TRIO Upward Bound (2018/2019 Audit) with a planned start date in July 2021.
- Grant Compliance Monitoring
  Status – Completed and On-going with no issues to report.
  The following grants are currently in review: Eastfield-USDE Title III Part F-HIS-STEM, Eastfield-USDE Upward Bound, and Mountain View-USDE SI Bilingual Education Center.
- External Audit Assistance
  Status- 1st Quarter Completed, pending 4th Quarter Start for FY21 work.

The IAD will perform audit work under the direction of the external auditors as requested starting in the 4th quarter of 2021. Ms. Cox noted that the IAD spent significant time and effort on work for the external auditors in the first quarter of FY21 and does not anticipate a significant involvement this year.

- Special Investigations/Reviews
  Status-Complete as needed/requested
  Ms. Cox noted that special investigations/reviews vary in complexity and address, review, and/or substantiate allegations, provide information, and/or provide recommendations. The IAD has performed three (3) special investigations/reviews that were completed in the 2nd and 3rd quarter and has one (1) ongoing special investigation/review. These investigations/reviews are either requested by management or a result of hotline complaints.

- Risk Assessment Overview FY2022
  The IAD utilizes a Risk Assessment Process to develop the audit plan for the year. This process requires gathering information such as major concerns from the Board and Senior Management, internal reports, and external information regarding risks within the higher education industry and organizations is general. The IAD will analyze data and information gathered to measure and prioritize risks to develop the audit plan. Further, Ms. Cox noted that Risk Assessment is an ongoing and continual effort to remain informed of emerging risks and ensure that the IAD is focusing on the highest risk items.

Trustee Boyd requested that the IAD provide a copy of completed audit reports for the audits mentioned in the presentation today and requested that the IAD develop a periodic report to communicate the IAD's position of the progress of the Workday implementation. Ms. Cox noted that the IAD will provide the requested items.

Enhancement Plan Updates
The IAD is entering the final phase of the staff training development program and the staff will continue to have annual training and development as well as completing training to meet professional education requirements.

The IAD is also reviewing audit management software tools to help increase the efficiency and effectiveness of the internal audit process. The current process is heavily manually driven and the IAD is looking for a tool to improve the process from audit planning throughout the entire reporting process.

The IAD has completed its preliminary Strategic Plan which includes the IAD's vision, mission, plan objective, and goals. The IAD has also developed various metrics and will continue to refine this plan throughout the College's strategic planning process.

Internal Audit Department Charter
Ms. Cox noted that the IAD is unique because it reports functionally to the Audit Committee and to the Board. The IAD Charter is required by the standards and is a formal document that describes the purpose, authority, and responsibility of the IAD. The standards require that the final approval of the Charter resides with the Board. Ms. Cox also noted that the Charter outlines the authority of the department which includes the IAD's access to records, personnel, etc. in order to perform audits. Further, the Charter outlines independence, objectivity, scope of IAD activities, and Quality Assurance & Improvement Program/competency requirements.

Questions
Ms. Cox opened for questions and Trustee Flores requested that the IAD tie the IAD performance metrics to the IAD's specific goals. Trustee Flores shared her appreciation of Ms. Cox for developing specific and detailed metrics for the IAD.

Trustee Boyd inquired of the IAD's status of filling open staff positions and how these positions are promoted/advertised. Ms. Cox noted that there are two positions that are currently in recruitment that were promoted internally. Also, if the IAD is unsuccessful in gaining internal candidates that could meet the requirements then the IAD would advertise externally. There are various associations, such as the Institute of Internal Auditors (IIA), that could be utilized to advertise the position. Further, Ms. Cox noted that interviews have been held for the Internal Auditor position and the Senior Auditor position is currently in recruitment and will begin interviews once candidates have been selected. Ms. Cox anticipates that the IAD will be fully staffed by the end of the fiscal year.

2. **Dallas College Financial Statements - Audit Plan for the Period Ended August 31, 2021**
Presenter: Marlon Williams, McConnell & Jones, LLP

Mr. Williams, Engagement Partner, with McConnell & Jones, LLP (MJ) presented the following discussion topics:

Engagement Scope and Objectives

- MJ's scope includes expressing opinions on the College's basic financial statements that are prepared by the College. MJ will apply audit procedures to identify if there are any major departures from GAAP and if disclosures are concise, sufficient, and prepared in accordance with governmental standards.
- MJ will also apply certain limited procedures (not an audit) to the College's supplementary information to ensure there is no contradictory information.
- MJ will also perform annual attestation procedures to determine the College's compliance with the Texas Public Funds Act.
- Yellow Book Report: MJ will not perform an internal controls audit. However, the Yellow Book Standards require that MJ gain an understanding of the College's internal controls. The areas of focus include procurement, disbursement, and revenue receipts.
  Trustee Flores inquired who issues the Yellow Book Report and Mr. Williams noted that the Yellow Book Report will be issued by MJ.
- Single Audit: Dallas College has expenditures greater than $750K in federal funds. As such, a single audit is required. MJ is in the process of selecting grants for testing and anticipate that 4 or 5 grants will be selected for testing.

Audit Approach
Mr. Williams noted that the overall audit approach process is a four-stage process, planning, preliminary, final, and reporting. During the planning and preliminary phase, MJ is gathering information and preliminary numbers to identify if any changes need to be made in their overall plan. MJ is working with management to determine appropriate timing for returning to the field or continuing in a remote environment for the final phase. The reporting phase includes reviewing the CAFR prepared by management, reviewing the Single Audit, preparing MJ Audit Reports, and obtaining a Management Report, if applicable.

Engagement Milestones and Timelines
Mr. Williams discussed key milestones and audit timeline starting with an entrance conference on June 1, 2021, followed by interim and final fieldwork, presentation of the draft reports to the Audit Committee and Board on December 1, 2021, and issuance/submission of CAFR and Single Audit to regulatory agencies on December 15, 2021.

Required Communication with Those Charged with Governance
Mr. Williams discussed the following items required to be communicated to those charge with Governance: Management's Responsibility, the Auditor's responsibility, which are both outlined in the engagement letter, and other required communications.

Other Matters for Discussion

Mr. Williams discussed several areas of interest and/or concerns for discussion including procurement, investments, Federal/State grant reconciliations, Pension funds and census data, allowance for uncollectable accounts, follow-up on cash management single audit findings, GASB standards, and bond issuances.

Mr. Williams noted that MJ will reviewing "allowance for uncollectable accounts" due to some issues last year related to the significance, appropriateness, and reasonableness of the allowance for uncollectable accounts. Trustee inquired what accounts are typically found as uncollectible accounts. Mr. Williams noted that it consists of property taxes and student tuition, but primarily student tuition.

Additionally, Mr. Williams noted that MJ will be retesting and reviewing cash management single audit findings from the previous audit to ensure that findings have been appropriately addressed.

Mr. Williams also discussed the GASB standard changes which include GASB 87: Leases (Effective for FY2022), and GASB 96: Subscription based Information Technology Arrangements (Effective for FY2023). Mr. Williams noted that GASB87: Leases is a significant change that requires operating leases that were previously considered expenses to be capitalized and inventoried. There are also required changes in disclosure requirements. Mr. Williams noted that MJ will primarily be focusing on GASB 87 and its application at Dallas College.

Trustee Ritter inquired of MJ's plans and responsibilities surrounding the College's recent procurement of a new enterprise system, Workday. Mr. Williams noted that MJ's primary focus would be from a financial statement perspective and MJ's responsibility would be to audit the College's overall expense activity to determine that they are properly reflected in financial statements. Regarding the new ERP system's impact on the audit, MJ would focus on ensuring data from the old system is consistently and accurately reflected in the new system. Regarding the specific procurement transactions to procure the software, MJ will be performing testing over those large procurement transactions as well.

Field Work

MJ is working with management to determine the appropriate working environment due to changing return to work protocols, either on-site, remote, or a hybrid of the two.

<u>Questions</u>
At the conclusion of the presentation, there were no additional questions for Mr. Williams.

5. **<u>Overview of Regular Agenda Item</u>**

  1. Approval of Dallas College Internal Audit Departmental Charter

  Chancellor May noted that the IAD Charter will be on the agenda for approval at the regular Board Meeting.

  Trustee Ritter inquired of Ms. Cox if the IAD has adequate and unfettered access to the Board with the reporting relationship outlined in the IAD Charter. Ms. Cox noted that she is comfortable with the reporting relationship proposed in the IAD Charter which is to have the IAD functionally report to Board and administratively report to General Counsel. Ms. Cox noted that this is now a common reporting relationship in Internal Audit.

6. **<u>Items for Review</u>**

  1. Committee Notes

    a. Audit Committee Notes for March 2, 2021
       No comments were made

    b. Chancellor's Travel Report
       No comments made.

6. **Executive Session**
   None.

7. **Adjournment**
   The meeting adjourned at 2:15 p.m.

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