

June 27, 2019

19-132

APPROVE TECHNICAL CORRECTIONS TO BOARD  
OF DIRECTORS AUDIT COMMITTEE CHARTER AND  
INTERNAL AUDITOR CHARTER

PREPARED BY: Jessica Johnson, Internal Auditor, Office of the Internal Auditor

APPROVED BY: Mark Mitsui, College President

REPORT: According to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), the chief audit executive must periodically review the audit charters and present them to the Board for approval. The PCC Board initially approved the Audit Committee charter on February 18, 2010 by Resolution 10-065 and the Internal Auditor charter on September 17, 2015 by Resolution 16-032. Technical corrections were made to the Audit Committee charter on May 20, 2010 by Resolution 10-099 and on June 21, 2012 by Resolution 12-133.

The Internal Auditor identified additional necessary edits to the charters. These edits will help to ensure proper grammar and formatting, alignment with internal audit standards and current practice, appropriate inclusion of the Vice President of Finance and Administration, and consistency in describing the Audit Committee's advisory role.

RECOMMENDATION: Approve technical corrections to the Board of Directors Audit Committee Charter and Internal Auditor Charter, as noted in Exhibit B.



**Charters of the Board of Directors Audit Committee  
and  
Internal Auditor**

**I. Board of Directors Audit Committee**

**A. Purpose**

The Audit Committee of the Board of Directors of Portland Community College is established by resolution to assist the Board in fulfilling its oversight responsibilities relating to:

1. Integrity of the College financial records including the financial statements;
2. Retaining the independent (external) auditor and assuring qualifications and independence;
3. Ensuring the independence and performance effectiveness of the external and internal audit functions;
4. Sufficiency of the system of disclosures and internal controls regarding finance, accounting, legal compliance and ethics as established in Board policy; and
5. Operation performance of the College, particularly with regard to the business risks for the College and the sufficiency of the College's risk mitigation programs.

**B. Organization**

The Audit Committee is a committee created by the Board of Directors as a whole.

**C. Policy**

1. The Audit Committee is comprised of four members. Two members are members of the Board of Directors. Two members are citizens residing in the College District.
2. The term of membership is four years.
3. Members may serve two consecutive terms.
4. Committee members from the PCC Board will be designated by the Board through resolution.
5. One of the Board members on the committee shall be designated as Audit Committee Chair and the other shall be designated as Audit Committee Vice Chair by Board resolution.
6. The pool of candidates for consideration as College District committee members is comprised of responses to a public "request for participation" prepared by the Board, and of nominations made by Board members. The Audit Committee will review and evaluate

candidates from those recommendations, and select a number of well-qualified candidates for interview. Interviews shall be conducted by the Audit Committee Chair, Vice Chair, Internal Auditor, Vice President of Finance and Administration, any existing College District committee members and up to two additional Board members. Following the interviews, the interviewers shall meet to ~~discuss agree upon~~ which candidate(s) the Internal Auditor will ~~be recommended~~ to the Board for consideration. The selection of the College District committee member(s) shall be at the pleasure of the Board.

7. In the event a citizen member cannot serve the entire term, the process outlined in C.6 shall be used to select a replacement.
8. If permitted by the qualifications and experience of members of the PCC Board of Directors who might serve on this committee, three of the four committee members must have financial management expertise sufficient to fulfill their responsibilities, as determined by the PCC Board as a whole.
9. The College President will be an ex-officio member of the committee, in order to ensure effective staff support for the committee's efforts.

#### **D. Procedure**

1. The Audit Committee will meet at least twice annually:
  - a. To hear and comment on the annual audit plan(s) as proposed by staff and the external and ~~i~~internal ~~A~~auditor. At this meeting, the Committee may provide ~~recommendations feedback~~ as to particular areas of focus for the upcoming audit activity. Both College staff (as designated by the College President) and the external audit firm's ~~partner-level~~ audit principal will attend.
  - b. To hear and comment on the draft annual audit report as prepared by the external audit firm prior to its submission to the College Board of Directors. To also hear and comment on the annual internal audit report prepared by the ~~i~~internal ~~A~~auditor prior to its submission to the College Board of Directors.
2. The Audit Committee will report on its meetings at the next regular meeting of the Board as a whole.
3. The Committee may consider an additional meeting to review and comment on the College's proposed Consolidated Annual Financial Report (CAFR).
4. The committee may call special meetings with the concurrence of three of the four committee members.

#### **E. Authority**

1. The Audit Committee is an advisory committee to the Board of Directors and has no independent authority not granted to it by resolution of the Board of Directors.
2. As a committee of the Board, the Audit Committee does not possess management control authority over College staff, nor does it have supervisory authority over the external or internal audit functions.
3. The agenda for the Board Audit Committee meetings is set by the

Chair of the Committee with input from the Internal Auditor, College Board, ~~and~~ President, and Vice President of Finance and Administration.

#### F. Specific Responsibilities

The committee shall:

1. Review external and internal audit plans and results ~~and make recommendations to the Board~~ prior to their submission by external auditors or by the Internal Auditor to the Board as a whole.
2. Report to the Board its ~~findings and~~ opinions regarding the College response to the internal and external audit results.
3. Review specific areas of future ~~external~~ audit focus for consideration, and ~~recommend provide feedback and opinions to specific areas of future internal and external audit focus for consideration by~~ the Internal Auditor, College President, and Board of Directors.

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#### G. Sunset

The Audit Committee may be dissolved by resolution of the Board as a whole.

## II. Internal Auditor

### A. Purpose

The Internal Auditor's (~~"the auditor"~~) role is to support the mission and values of Portland Community College by providing objective and, independent, consulting and assurance services that will augment the organization's operations and programs. The auditor helps to ensure that the institution's resources, assets, and program operations are systematically evaluated and risks are appropriately defined and rigorously managed. In carrying out their duties and responsibilities, the auditor shall have full, free, and unrestricted access to all College records, property, and personnel except where such access may be limited or barred by federal or state law, or the provisions of a relevant collective bargaining agreement. No private agreement between PCC and a third party shall be used to limit the applicability of this section.

### B. Objectives

1. Establish an ongoing, independent capability to review all College operations, including affiliated organizations where appropriate, to:
  - a. Ensure compliance with statutes, regulations, and policies;
  - b. Review reliability and integrity of financial data, operating information, and the means used to identify, measure, classify and report it;
  - c. Make value-added recommendations for improvements regarding economy, quality, continuous improvement, and effectiveness;
  - d. Assess opportunities for improving management control, economic effectiveness, and the organization's image; and

- e. Perform appropriate follow-up procedures and assess the effectiveness of actions taken.
2. Establish an ongoing, collaborative risk assessment process managed by the Internal Auditor, and includes the College President and senior management campus presidents. The auditor will:
  - a. ~~The auditor will f~~Facilitate conversations and exercises in a multi-layered risk assessment approach, initiating with the College President, campus presidents and senior management, then secondarily with line management and personnel in the identification of potential risks.
  - b. ~~The auditor will r~~Report on significant legislative or regulatory issues impacting the organization.
  - c. ~~The adequacy of~~Evaluate internal controls supporting operations ~~will be evaluated~~.
  - d. Identify operations with significant operating exposure to a campus and/or the overall College where appropriate internal controls are not evident; these will be defined as potential high risk.
  - e. Communicate and discuss ~~P~~potential high risk exposures at the institution will ~~be communicated and discussed~~ with the College President and Board of Directors.
  - f. ~~Consideration~~ further evaluation will be given by the President and/or Board for further evaluation of the risk exposure as part of a more detailed internal audit analysis.
  - g. Utilize ~~R~~risk assessment outcomes ~~will be utilized~~ in development of a prioritized annual internal audit work plan based on recognized levels of risk exposure and possible resulting liabilities.
  - h. ~~Audit outcomes will i~~include recommendations for consideration by the College President and/or the Board to strengthen internal controls through a change in operational and/or financial practices, documented policies, guidelines, etc.
3. Serve as in-house management consultants to the Board and College President, who may request assistance from the auditor on an as-needed basis to review special issues, including strategic plan initiatives, and/or conduct such audits on the campuses and in the District Offices as may be requested.
4. Suggest to the College President plans for the audit function for the forthcoming year and the rationale for such audits. With the concurrence of the College President, ~~submit the annual audit plan to the College President for presentation~~ the annual audit plan to the Audit Committee for ~~review~~ feedback, and recommend the annual audit plan to the Board for ~~and~~ ultimate approval.
  - a. Implement the annual audit plan as approved, including special requests by the College President.
  - b. Issue periodic reports to the College President and to the Board summarizing the results of the audits.

- c. Immediately report to the College President any significant findings that would jeopardize the College's legal standing or represent a significant immediate risk.
- d. Coordinate with and provide oversight of other controls and monitoring functions related to risk management, compliance, security, ethics, and environmental issues.

**C. Policy**

1. The auditor shall serve as in-house management consultants to the College. The College President ~~and senior management or the campus presidents~~ may request assistance from the auditor on an as-needed basis to review special issues, including strategic plan initiatives, and/or conduct such audits on the campuses and in the District Offices as may be requested.
2. The auditor will have no direct responsibility or authority for any of the activities or operations under review. An internal audit does not relieve other persons in the College of the responsibilities assigned to them.
3. The auditor is not authorized to:
  - a. Perform any operational duties for the organization.
  - b. Initiate or approve accounting transactions external to their role.
  - c. Hire or engage external entities in the process of audit functions without the express written permission of the College President.
4. The College President, ~~in consultation with the Board of Directors Audit Committee,~~ shall review and approve requests for assistance to conduct special reviews and investigations.
5. The auditor shall follow the College's ~~Investigation Internal Audit Procedures,~~ when ~~assisting the Audit Committee, College President, and campus presidents in~~ conducting investigations.
6. The auditor's cost shall be funded through the College's biennial budget process.
7. The scope of work of the auditor shall encompass all College operations, including affiliated organizations where appropriate, with the exception of academic instruction by the faculty.

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**D. Reporting Responsibilities**

1. The results of audit engagements, the conclusions formed, and the recommendations made will be promptly reported by the auditor to the appropriate administrative personnel. Management is responsible for seeing that necessary and appropriate corrective action on any reported deficient conditions is either planned or taken within a reasonable period of time after receipt of a report disclosing those conditions. Management will include a written response in the formal audit report indicating the actions to be taken to correct the deficiencies noted. The response should include a timetable for anticipated completion of any action to be taken and a justification for any recommendations that will not be addressed.
2. Draft audit reports are internal working documents and as such are the basis for college staff to clarify audit findings. Audit reports are to

include an executive summary, as well as a measure of the seriousness of the findings and associated risks.

3. The auditor will submit an annual report to the College President, to the Chair of the Audit Committee, and to the College Board of Directors that summarizes the internal auditing activities of the previous year. All completed reviews, special projects, and investigations conducted by the auditor shall be made available to the Audit Committee of the Board of Directors and College President; these will also be made available to the campus presidents for issues applicable to their campus.

### **E. Standards of Audit Practice**

The Internal Auditor, in carrying out the internal audit function, shall abide by the following mandatory elements of the International Professional Practices Framework (IPPF) as promulgated by the Institute of Internal Auditors (IIA):

1. Core Principles for the Professional Practice of Internal Auditing,
2. Definition of Internal Auditing,
3. Code of Ethics,
4. International Standards for the Professional Practice of Internal Auditing

Optional recommended elements of the IPPF including implementation and supplemental guidance will also be considered.

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