

March 21, 2024

24-099

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

PREPARED BY: Christine Croskey, Internal Auditor, Office of Internal Audit

APPROVED BY: Dr. Adrien L. Bennings, President

STRATEGIC THEME: Enterprise: Cultivate a long-term sustainable college enterprise

REPORT: According to the Institute of Internal Auditors (IIA) Global Internal Audit Standards, 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, 2020 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, on June 21, 2012 by Resolution 12-133, and on June 27, 2019 by Resolution 19-132.

The Internal Auditor identified additional necessary edits to the charters. These edits will help to ensure alignment with internal audit standards and current practice.

RECOMMENDATION: Approve technical corrections to the Board of Directors Audit Committee Charter and Internal Auditor Charter.



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. Operational 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 shall be comprised of not less than two members. At least one member is a member of the Board of Directors. At least one member is a community member 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 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, Internal Auditor, Vice President of Finance and Administration, any existing College District committee member and up to two additional Board members. Following the interviews, the interviewers shall meet to discuss which candidate(s) the Internal Auditor will recommend 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 community 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, 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 Internal Auditor. At this meeting, the Committee may provide 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 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 Internal Auditor prior to its submission to the College Board of Directors.
2. The Audit Committee will report on its meetings at the next regularly scheduled meeting of the Board as a whole.
3. The Committee may consider an additional meeting to review and comment on the College's draft Consolidated Annual Financial Report (CAFR).
4. The committee may call special meetings with the concurrence of 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, President, and Vice President of Finance.

F. Specific Responsibilities

The committee shall:

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

G. Sunset

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

II. Internal Auditor

A. Purpose

The Internal Auditor reports to the College President. The Internal Auditor's role is to support the mission and values of Portland Community College by providing objective and independent advising and assurance services that will enhance 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 related 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 risk assessment process in collaboration with the

College President and senior management. The auditor will:

- a. Facilitate conversations and exercises in a multi-layered risk assessment approach, initiating with the College President and senior management, then secondarily with line management and personnel in the identification of potential risks.
 - b. Report on significant legislative or regulatory issues impacting the organization.
 - c. Evaluate internal controls supporting operations.
 - d. Identify operations with significant operating exposure to a campus or center and/or the overall College where appropriate internal controls are not evident; these will be defined as potential high risk.
 - e. Communicate and discuss potential high-risk exposures at the College with the College President and Board of Directors.
 - f. Consider further evaluation of the risk exposure as part of a more detailed internal audit analysis.
 - g. Utilize risk assessment outcomes in development of a prioritized annual internal audit work plan based on recognized levels of risk exposure and possible resulting liabilities.
 - h. 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, centers, 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, present the annual audit plan to the Audit Committee for feedback, and recommend the annual audit plan to the Board for 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 an in-house management consultant to the

College. The College President and senior management 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 or centers 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 staff of 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 shall review and approve requests for assistance to conduct special reviews and investigations.
5. The auditor shall follow the College's Investigation Procedures when 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 related organizations where appropriate, with the exception of academic instruction by the faculty.

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 deficiency 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, the Board of Directors and the College President.

E. Standards of Audit Practice

The Internal Auditor, in carrying out the internal audit function, shall abide by the required elements within the Domains of the Global Internal Audit Standards as promulgated by the Institute of Internal Auditors (IIA). Optional recommended elements of the Standards, including implementation and supplemental guidance, will also be considered.