

February 18, 2010

10-065

ESTABLISH AUDIT COMMITTEE AS A COMMITTEE
OF THE BOARD OF DIRECTORS; APPROVE BOARD
AUDIT COMMITTEE CHARTER

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APPROVED BY: Dr. Preston Pulliams, District President

REPORT: In response to both external trends for public and private entities, as well as improvement opportunities identified in recent audits, the College created in 2007 an internal audit position to enhance staff financial oversight.

At the same time, to more fully fulfill their mission of financial stewardship and institutional transparency the governing bodies of public agencies have increasingly implemented more comprehensive audit processes. Mindful of this trend, the Board of Directors in 2009 directed the District President to develop a recommendation regarding the Board of Directors' role in financial governance.

The District President recommended and the Board of Directors approved that independent perspectives be gained on the question of establishing a Board Audit Committee. This assessment, which included interviews with Board members, was completed and reported to the Board of Directors at its 15 October, 2009 business meeting. The Board of Directors determined it wished to consider establishing an audit committee of the Board and directed the District President to prepare a charter for such a committee for Board consideration.

Attachment "A" is the proposed Charter for the Audit Committee of the Portland Community College Board of Directors as discussed by the Board, most recently at its 28 January 2010 work session.

RECOMMENDATION: That the Board of Directors establish an audit committee as described in Attachment "A" to assist the Board as a whole in fulfilling its governance role; that the Board approve the audit committee charter (Attachment "A") to this resolution.

Mission

- 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, including:
- Integrity of the College financial records including the financial statements
 - Retaining the independent (external) auditor and ensuring qualifications and independence
 - Ensuring the independence and performance effectiveness of the external and internal audit functions
 - Sufficiency of the system of disclosures and internal controls regarding financial, accounting, legal compliance and ethics as established in Board policy
 - Operational performance of the College, particularly with regard to the business risks for the College and the sufficiency of the College's risk investigation programs

Structure

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

Membership

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. The term of membership is four years. Members may serve two consecutive terms. Committee members from the FCC Board will be designated by the Board through resolution. Committee members from the District are appointed by the Board based on a public request for participation prepared by the Board. Interested citizens will be interviewed by the Board and appointed by the Board through resolution. It is further stated that the qualifications and experience of members of the FCC 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 members of the FCC Board as a whole. One of the Board members on the committee shall be designated as Audit Committee Chair by Board resolution. The District President will be an ex-officio member of the committee in order to ensure effective staff support for the committee's efforts.

10-065 Attachment "A"

Charter of the Audit Committee Board of Directors Portland Community College

Mission

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:

- Integrity of the College financial records including the financial statements
- Retaining the independent (external) auditor and assuring qualifications and independence
- Ensuring the independence and performance effectiveness of the external and internal audit functions
- Sufficiency of the system of disclosures and internal controls regarding finance, accounting, legal compliance and ethics as established in Board policy
- 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

Status

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

Membership

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

The term of membership is four years.

Members may serve two consecutive terms.

Committee members from the PCC Board will be designated by the Board through resolution.

Committee members from the District are appointed by the Board based on a public "request for participation" prepared by the Board. Interested citizens will be interviewed by the Board and appointed by the Board through resolution.

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.

One of the Board members on the committee shall be designated as Audit Committee Chair by Board resolution.

The District President will be an ex-officio member of the committee, in order to ensure effective staff support for the committee's efforts.

10-065 Attachment "A"

Meetings

The Audit Committee will meet at least twice annually:

- To hear and comment on the Annual Audit Plan(s) as proposed by staff and the external and internal auditors. At this meeting the Committee may provide recommendations as to particular areas of focus for the upcoming audit activity. Both College staff (as designated by the District President) and the external audit firm's partner-level audit principal will attend.
- 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.

The Audit Committee will report out on its meetings at the next regular meeting of the Board as a whole.

The Committee may consider an additional meeting to review and comment on the College's proposed Consolidated Annual Financial Report (CAFR).

The committee may call special committee meetings with the concurrence of three of the four committee members, and with the concurrence of the Board of Directors.

Authority

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.

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.

Specific Responsibilities:

The committee shall:

- Review external and internal audit plans and results and make recommendations to the Board prior to their submission to the Board as a whole
- Report to the Board its findings and opinions regarding the College response to the internal and external audit results
- Review specific areas of future external audit focus for consideration, and recommend specific areas of future internal and external audit focus for consideration by the District President and Board of Directors

Sunset

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