

Audit Committee Meeting Minutes September 14, 2021

I. CALL TO ORDER at **12:09 PM**

II. ROLL CALL

Present: Anjelica De Leon, Martin Castillo, Maureen Passage, Erik Pinlac, Debbie Chaw, David Robydek, Josephine Capiral

Absent: Mirna Maamou

III. ACTION ITEM - **Approval of the Agenda**

Motion to approve the agenda of September 14, 2021 by **M. Castillo**, second by **M. Passage**, motion **CARRIED**.

IV. ACTION ITEM - **Approval of the Minutes of September 9, 2020**

Motion to approve the agenda of September 9, 2020 by **M. Castillo**, second by **M. Passage**, motion **CARRIED**.

V. PUBLIC COMMENT – **Public Comment is intended as a time for any member of the public to address the committee on any issues affecting ASI and/or the California State University, East Bay.**

No public comment.

2:20

VI. NEW BUSINESS ITEMS:

A. ACTION ITEM: **2020-21 Financial Audit Results**

Clifton, Larson, Allen will present the results of the financial audit of ASI for 2020-21.

Motion to move the financial audit of ASI for 2020-21 by **M. Passage**, second by **M. Castillo** motion **CARRIED**.

D. Robydek shares their presentation and states that they conduct an audit every year for 3 Auxiliary organizations or related entities to Cal State University of East Bay. The 2 foundations, one being the educational foundation, which is the philanthropic organization, and the other being ASI. A little background about the team, I present these presentations and 4 campuses. The most we ever worked with if we triple our personnel would be 5 campuses. They are all very similar timelines and deadlines in terms of an audit as we are



concerned about quality and time intention. Emma is a part of our education group as she has worked there for 3 years now and along with Josephine, we back the audits. We usually do tax work, and our tax exempt practice region does the form i9. The important part is the supplementary information which are schedules that translates all the financial audit in to the format that is needed by the Chancellor's office to consolidate all the financial reporting. It is one of the critical things that we do is prepare those schedules. What makes auditing or closing books in this environment unique is the timing. SCC companies usually get more time to close their books. The time the team has to get ready for an audit, complete, and close the books are quite quick. We are here on September 14th presenting results for June 30th reporting period. In a lot of those environment, there is estimating that is done because you do not have all the actual information. It really is a comprehensive financial statement that is up to date with everything that has come in. It is a solid financial statement that happens quickly which makes the audits unique for the fast turn arounds. This report is ready to be issued. We just need management to sign representation letter which is a letter written by the attorney that talks to representation that everything we have is all factual. It is a risk based approach as we do not audit 100% of the financial transaction such as cash receipts or disbursements. We use sampling methods and materiality thresholds to identify the areas that are at risk being wrong or fraudulent. We use parameters to drill down as it is an ongoing process of risk assessment. We look at controls for ASI that the team has to prevent errors and fraud. We look at those controls if they are actually working or if they are happening. All of that are inputs to the risk assessment and the outputs are procedures that are usually performed. We confirm custodial and cash balances or any financial statements with the institutions that hold them and revenue recognition such as cash receipts coming to the door. For ASI it might not be as complicated in comparison to foundations with sponsored program receipts with different contracts and arrangements. We review journal entries, expenses from vendors, and anomaly data. If you read it, it states that we do provide reasonable amount of assurance that the financial statements are not materially wrong. The presentation shows the results. Some of it shows the fluctuation in narratives of the results. Therefore, some of the slides summarize that which this presentation helps us stay grounded in a virtual format. We found here in the financial statements that your total assets increased by \$387,000 primarily due to increase in investments. Reduction of capital assets are due to depreciation. I do not think I ever had a client with a poor performance portfolio in a fiscal year in comparison to the prior fiscal year which we are learning about the pandemic that effected the market. I have not had a portfolio that has felt good about their return. We see an increase in your investment balance. Capital assets are finite useful live events. We purchase and construct them. They show up on your balance sheet as an asset and they lose



their accounting value. Those are depreciated over a useful life so equipment would be 5 to 8 years. If you do not continue to buy capital assets, it will become zero at some point but you do continue to buy it so those are capitalized and depreciated. Those 2 items are all set in there. Your liabilities did increase \$216,000 which is due to increase in pension and OPEB liabilities. Even if you read a lot of financial statements or take accounting classes, the net pension and OPEB liabilities concepts could throw you off slightly. OPEB stands for other post-employment benefits such as pension and commitments to pay for certain healthcare costs after someone retires. We made those commitments already, so we have to estimate



which we have listed them in the document. These are common and straightforward estimates which do not require significant amount of judgment or controversial input. We had no difficulties or disagreements with the audit or audit adjustments. You had a clean report and audit. It is great to have high expectations as we have had a habit on stating how clean it is with ASI and other auxiliaries which is why Cal State East Bay have financial statements with good results. We have worked with other campuses that are still good but struggle in certain areas such as identifying an error or control weakness. We appreciated how smooth the audits and reports are with Cal State East Bay. We still can accept feedback or cosmetic changes to the report if we are approved by Josephine, Debbie, and Maureen to update the document. After the update, this will become publicly available. The audit and auxiliary report are searchable as well. Any questions?

D. Chaw states I want to uplift Josephine because the University Controller's last day was June 25th to which she stepped in and being instrumental in helping the team through the audit as our General Manager of Accounting. The 3 audit reports I reviewed from her were great. I want to commend Josephine and her team for great work!

E. Pinlac states I have 2 things, but one is thanking everyone with a thorough audit because Josephine can see something minor then contac



D. Chaw asks where there custodial activities such as university unions or similar things that they were holding funds under ASI for? We do not do that here with our ASI.

D. Robydek states you had nothing equivalent because for some of the campuses, they state that it is the way it has always been. I know the team has thought about if they were missing anything but in your case, there were no hard calls to make. I usually do not receive questions about the standard which is great that you ask since it means you are keeping up with the work.

A. De Leon asks if there is any more discussion.

Motion to approve the financial audit of ASI for 2020-21 by **ALL**, motion **CARRIED**.

28:50

VII. SPECIAL REPORTS:

No special reports.

29:00

VIII. ROUND TABLE REMARKS

D. Chaw states that normally after the financial statements are reviewed, the auditors meet with the committee without management there to have a discussion. I believe Josephine, Erik, and I would need to exit the meeting for that discussion to take place. We can rejoin the call when someone lets us know the discussion is complete.

M. Castillo asks Debbie, you have helped us in the past to tap into the surplus based on the



M. Castillo states in the past you have mentioned the average of 4 quarters, and you are right that if it does not require a policy. I understand this is off topic but Anjelica, you talked about the COVID scholarships and see that last year, we had a surplus. That could be a way to give some of it back as a COVID scholarship. You have the funds if you wanted to do it.

D. Chaw states I think when you tap into your reserves, the ASI does have an investment account which you could develop a policy for that investment account, therefore it is similar to an endowment account. You could create a policy that states to treat the investment account as an endowment account. An example would be using a percentage of a number of quarters from this month to use or subsidize for operating scholarships and so forth. You did state you have a surplus so it would be best to use the money you have before moving money on over which is what we had discussed.

D. Robydek states some of the other institutions do not have an investment account. Debbie is handling some of the designation of the Board's portfolio and clarifying what we need by distribution. You could leave the money in the account. The clients who developed or went on a campaign to develop an endowment, they form a policy around spending from the account. Some people may think that it was not meant to be an endowment, but have it act as one while being safe about it. This is something to evaluate.

D. Chaw states if ASI wanted to award scholarships for this year and did not have built in their operating funds then they would need to work with Maureen and Monique on identifying the amount of money for scholarships, but it will then put us at a budget deficit that was not planned for this year. In the past few years, we have not spent everything, so this is a way to give back to current students.

D. Robydek states the alternative is going on the reserve path and based on your annual expenditures with the reserve amount you prefer. You could do both as an option for a reserve and an endowment. It seems like from discussion that Board would like to designate the surplus as an endowment as the way to go. You have the portfolio but not a policy which means you would need to evaluate the past. As a follow up, I am happy to look at the other ASI I have worked with and see their practices of how those accounts are being utilized. You can then see the practices and tailor it to your needs.

E. Pinlac states it becomes complicated because our OPEB and unrestricted reserve are all combined, it is hard to pull out what we make that will go towards OPEB or our unrestricted reserve. It is difficult to determine that while we are in the budget season. We can find it afterwards and go from there which the reserves would start building up. There was a conversation years ago about making our OPEB into a potential trust so it can be separate and not touched by future Boards. As of right



the end that we had a small positive gain after a massive negative the previous month. I am leaving soon therefore I would like to have some of these things started such as separating the OPEB and unrestricted reserve. It will help and require more work with laweꝑd reserve. I

M

--ASIVPFinance (Sep 21, 2022 11:00PDT)




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Final Audit Report

2022-09-21

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