

Rancho Santiago Community College District (RSCCD)

BOARD FISCAL/AUDIT COMMITTEE MEETING via Zoom

Wednesday, November 2, 2022

2323 North Broadway

Santa Ana, California

MINUTES

1.0 PROCEDURAL MATTERS

1.1 Call to Order

The meeting was called to order at 8:01 a.m. by Mr. Phillip Yarbrough. Other members present: Mr. David Crockett and Dr. Tina Arias Miller. Mr. Zeke Hernandez was not present.

Others present: Mr. Ryan Foley

Staff present: Dr. Adriene Davis, Ms. Debra Gerard, Ms. Iris Ingram, Mr. Jim Isbell, Mr. Marvin Martinez, Mr. Adam O'Connor, Mr. Enrique Perez, Mr. Ruben Smith and Ms. Maria Vicencio as record keeper.

1.2 Pledge of Allegiance to the United States Flag

The pledge of allegiance was led by Mr. Yarbrough.

1.3 Public Comment

There were no public comments.

1.4 Approval of Minutes

It was moved by Mr. Crockett and seconded by Dr. Arias Miller to approve the minutes of September 22, 2022. The motion carried with the following vote: Aye – Dr. Arias Miller, Mr. Crockett and Mr. Yarbrough.

2.0 FINANCIAL AUDITS

2.1 Fidelity Investments Presentation

Mr. Kevin Chasteen from Fidelity Investments provide committee members with information regarding two Fidelity Investments portfolios: Fidelity Total Marker Index Fund and Fidelity 500 Index Fund. Committee members received clarification on the data related to the presentation.

At this time, Chairperson Phillip Yarbrough considered Item 2.3 Review and Discussion of California Government Code Section 53600, Particularly 53601 pas. G1A, and par. G2A and How It Affects BP6320.

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Discussion ensued. Vice Chancellor Iris Ingram and Assistant Vice Chancellor Adam O'Connor provided responses to questions from committee members regarding California Government Codes relating to Board Policy 6320.

2.2 Audit Firm Discussion on Who Directs the Annual Audit

Discussion ensued. Vice Chancellor Iris Ingram and Assistant Vice Chancellor Adam O'Connor provided committee members with information about the annual audit process and timeline.

3.0 ADJOURNMENT

Mr. Yarbrough declared the meeting adjourned at 8:56 a.m.

Minutes Approved: November 15, 2022

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

Office of the Vice Chancellor - Business Services

2323 N. Broadway
Santa Ana, CA 92706
(714) 480-7340 – Office

Date: October 31, 2022
To: Marvin Martinez, Chancellor
From: Iris I. Ingram, Vice Chancellor, Business Services
Subject: Response to Requests from Trustee Yarbrough Regarding Board Fiscal/Audit Review Items for November 2, 2022, Meeting

From Trustee Yarbrough

Audit firm discussion on who directs the annual audit, and review Education Code 84040.

1) ***Ed Code 84040(b) states that “The Governing Board of each community college district shall provide for an annual audit...”. Does anything in Ed Code 84040(b) prevent the Committee from meeting with the auditors at the beginning of the audit process?***

No. There is nothing in the education code that prevents the Committee from meeting with the auditors at the beginning of the audit process. Communication with auditors has been considered operational and not a responsibility of board members.

2) ***Does anything in BP6400 prevent the Committee from meeting with the auditors at the beginning of the audit process?***

No. BP 6400 states “...The Board Fiscal Audit Committee shall meet each year with the independent auditor to discuss the draft audit report and have an opportunity to confer with the independent auditor prior to the final audit being presented to the Governing Board...” Every year, prior the audit being submitted to the Board of Trustees for adoption, staff arranges for the Fiscal/Audit Review Committee to meet with the auditors in advance to review the report and discuss any findings. This year’s meeting is scheduled for November 22, 2022.

Investment Portfolio: Review and discussion of California Government Code Section 53600

Government Code 53601: “The legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below.” Government Code 53601(g)(1)(A): “Is organized and operating in the United States as a general corporation”, Par. 53601(g)(2)(A): “Is organized within the United States as a special purpose corporation, trust, or limited liability company.” Government Code 53601(g):

1) ***Would the definition of “Commercial Paper,” (short-term unsecured promissory notes issued by companies), in this section include investments in the equities or commercial paper of foreign companies notwithstanding 53601 par. (g)(1)(A), and par. (g)(2)(A)?***

Code Section 53601 restricts the district in investing the general fund, cash, etc. It is not related to the PARS Trust which is allowed via 53620. So, equities of any kind would not be allowed under 53601. For the general fund monies, etc., 53620 below allows "...any form or type of investment deemed prudent...". Equities are allowable under 53620 since the dollars are in trust for the payment of employee retirement health benefits.

Government Code 53620: "Notwithstanding Section 53601 or 53635, the governing body of a local agency may invest funds designated for the payment of employee retiree health benefits in any form or type of investment deemed prudent by the governing body pursuant to Section 53622".

2) *Is the "Governing Body" the Board of Trustees at Rancho?*

Yes. Governing Board is defined as the Board of Trustees of the Rancho Santiago Community College District. And the Board designated this responsibility to the Vice Chancellor, Business services as Plan Administrator via Resolution at the adoption of the PARS Trust.

Government Code 53609:

1) *How is "mutual fund" defined and would that definition also include investments in the equities or commercial paper of foreign companies notwithstanding 53601, particularly 53601 (g)(1)(A), and par. (g)(2)(A)?*

The Code does not define "mutual fund." However, it is generally understood to be a mutual fund if a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. However, this section appears to be related to employee Deferred Compensation (retirement funds) and is not related to either our general fund investments or the PARS Trust investments.

Government Code 53635:

1) *Is our investment PARS considered "pooled money"?*

Yes.

2) *What section of 53601 allows for the investment in foreign equities? How does it not violate 53601 (g)(1)(A), and par. (g)(2)(A)?*

We do not believe 53601 does. 53620 clearly does per my response above.

As I advised previously, the auditor partner from Eide Bailey is not available to attend Wednesday's November 2, 2022, meeting of the Committee. He has a commitment with another client that same day.