

Persons who address the board are reminded that the board may not take formal action on matters that are not part of the meeting agenda, and, may not discuss or deliberate on any topic that is not specifically named in the agenda that was posted 72 hours in advance of the meeting today. For any non-agenda topic that is introduced during this meeting, there are only three permissible responses: 1) to provide a factual answer to a question, 2) to cite specific Board of Trustees policy relevant to the topic, or 3) to place the topic on the agenda of a subsequent meeting.

Speakers shall direct their presentations ONLY to the Board Chair or the Board as a whole.

**BOARD OF TRUSTEES AUDIT COMMITTEE MEETING
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOLS**

**District Office
1601 South Lamar Street
Lower Level, Room 007
Dallas, TX 75215
Tuesday, September 15, 2009
2:00 PM**

AGENDA

1. Certification of posting of notice of the meeting Wright Lassiter
2. Pre-Audit Presentation by Grant Thornton Jim Forson
Committee Action: No action required Fulya Bayolken
3. Special Internal Audit Report on Control Self Assessment Study Rafael Godinez
Committee Action: No action required
4. 4th Quarter Report from Internal Audit Rafael Godinez
Committee Action: Review as provided by Board Policy CDC (LOCAL)
5. Annual Internal Audit Plan for 2009-2010 Rafael Godinez
Committee Action: Review as provided by Board Policy CDC (LOCAL)
6. Review of Investment Policy Ed DesPlas
Committee Action: Motion to present a resolution to the Board at its regular meeting on October 6, 2009, evidencing the Board has reviewed policy and strategy, as provided by Board Policies CAK (LEGAL and LOCAL)

7. Report from Investment Officers on Training
Committee Action: Review as provided by Board Policies CAK (LEGAL and LOCAL) Ed DesPlas

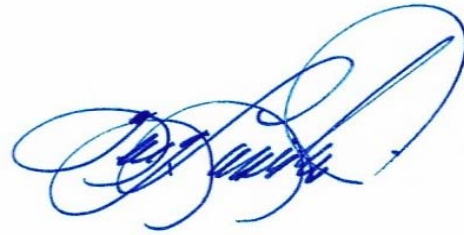
8. List of Qualified Brokers/Dealers
Committee Action: Motion to present a financial report to the Board of Trustees at its regular meeting on October 6, 2009, as provided by Board Policies CAK (LEGAL and LOCAL) Ed DesPlas

9. Review of Chancellor's Travel
Committee Action: No action required Kathryn Tucker

10. Adjournment of Audit Committee

**CERTIFICATION OF POSTING OF NOTICE SEPTEMBER 15, 2009
AUDIT COMMITTEE MEETING OF THE
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOLS
BOARD OF TRUSTEES**

I, Wright L. Lassiter, Jr., Secretary of the Board of Trustees of the Dallas County Community College District, do certify that a copy of this notice was posted on the 11th day of September, 2009, in a place convenient to the public in the District Office Administration Building, and a copy of this notice was provided on the 11th day of September, 2009, to John F. Warren, County Clerk of Dallas County, Texas, and the notice was posted on the bulletin board at the George Allen Sr. Courts Building, all as required by the Texas Government Code, §551.054.



Wright L. Lassiter, Jr., Secretary

Dallas County Community College District

Meeting with the Audit Committee
Dialogue discussion outline

September 15, 2009

Attendees: Jim Forson – Senior Manager
Fulya Bayolken – Manager

Agenda

- Responsibilities
- Reports to be issued
- Audit approach
- Estimated fees and expenses
- Timeline and expectations
- Ethics hotline
- Audit committee questions and answers

Our responsibilities

- Perform an audit
 - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
 - Are materially correct
 - Are fairly presented
 - Conform with generally accepted accounting principles
- Communicate specific matters to you

An audit does not relieve you or management of your responsibilities.

Our responsibilities for other information in documents containing audited financial statements

- Read the other information (we do not corroborate it)
- Consider whether it is materially inconsistent with the financial statements
- Call to management's attention identified material inconsistencies or misstatements of fact, if any
- Inform you of the results

Remember, our responsibility does not extend beyond our report.

Management's responsibilities

- Preparing and fairly presenting the financial statements
- Establishing and maintaining effective internal control over financial reporting
- Providing us with written representations

Reports to be issued

- Financial statements
- Federal and state single audit reports
- Review of the schedule of current funds expenditures by individual campus and central administrative function
- Richland Collegiate High School (footnote)
- Memorandum of advisory comments

We approach your audit by...

- Understanding the District and the environment it operates in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas

Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmark
 - We believe total assets is the appropriate benchmark for the District
- Financial statement items $>$ materiality are in scope
- Other areas $<$ materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk)

Areas of audit focus

- Governance
- Maintenance ad valorem taxes
- Federal, state and non-governmental grants and contracts
- Tuition revenue and related receivable or deferral
- Investments/treasury
- Payroll and related liabilities
- Operating expenses and related payables
- Long-term debt
- Fixed assets, including construction in progress
- Net assets
- Fraud inquiries and data analysis procedures

Estimated fees and expenses

	<u>2009</u>
Financial Statement Audit and Advisory Comment Letter	\$79,850
OMB Circular A-133 / State of Texas Single Audit	\$30,850
Review of Schedule of Expenditures (by campus)	\$ 6,800
Richland Collegiate High School	\$ 3,975
Administrative Expenses	(6% of fees)

- Assumes similar level of internal audit assistance as provided in previous years.
- Our methodology for fee increases is typically based on salary inflation, which approximates 5-6% annually.
- Out of pocket expenses are billed as incurred.
- 20% of effort committed to joint venture firms.

Timeline and expectations

Audit Committee meeting

September 15, 2009

Financial statement audit

- Preliminary fieldwork and planning
- Final fieldwork
- Audit kickoff meeting
- Weekly status meetings

- Closing meeting with management
- Audit Committee meeting

Ongoing
Nov. 2 – Nov. 30
November 3
November 6
November 13
November 20
November 30
December 15

Engagement team

- Ben Kohnle, Engagement Partner
- Jim Forson, Engagement Senior Manager
- Fulya Bayolken, Engagement Manager
- Deborah Beams, Engagement Senior
- Reggie Hopkins, Joint Venture Firm
- Dan Serna, Joint Venture Firm

ben.kohnle@gt.com

(214) 561-2260

jim.forson@gt.com

(214) 561-2278

fulya.bayolken@gt.com

(214) 561-2614

deborah.beams@gt.com

(214) 561-2628

Questions & Answers



Report Distribution

DCCCD Board of Trustees

Kitty Boyle
Charletta Compton
Bob Ferguson
Diana Flores
Martha Sanchez Metzger
Jerry Prater
JL Sonny Williams

Brookhaven

Richard McCrary
George Herring

Cedar Valley

Jennifer Wimbish
Huan Luong

Eastfield

Jean Conway
Jim Jones

El Centro / BJP

Paul McCarthy
David Browning

Mountain View

Felix Zamora
Sharon Davis

North Lake

Herlinda Glasscock
Christa Slejko

Richland

Steve Mittelstet
Ron Clark

R. Jan LeCroy Center

Pam Quinn
Dottie Clark

District Office

Wright Lassiter
Andrew Jones
Denys Blell

District Service Center

Ed DesPlas
Kim Green
Sandi Newton

**Special Report to the Audit Committee
of the
Dallas County Community College District
Board of Trustees**

**Control Self-Assessment Program
Fiscal Year 2009**

Introduction

In September 2000, the Audit Committee requested that District administration develop a plan to address the issue of internal control training for employees. In conjunction with representatives from all District locations, the Control Self-Assessment (CSA) program was developed and implemented to help meet the Committee's request. The primary objective of the CSA program is to enhance managers' awareness as to the system of internal control over the various operating activities in which they engage during the year. Additionally, CSA can assist each manager in evaluating the level of compliance with these controls within their workgroup. The CSA process is not meant to be a one-time activity. Rather, it is to be an integral part of evaluating management responsibilities on an ongoing basis. This report marks the completion of the ninth year of the CSA program.

Internal Control Definition

The Committee of Sponsoring Organizations (COSO) of the National Commission on Fraudulent Financial Reporting released in 1992 what became the standard definition of internal control. Internal control was defined by the commission as *"a process effected by an organization designed to provide reasonable assurance*

regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.” The definition was intended to reflect the concept that internal control is a process - a means to an end, not an end in itself. Also, people affect internal control. It is not just policy manuals and procedures, but people functioning at every level of the institution. It is extremely important that all participants in the internal control process understand their roles and responsibilities. The COSO definition and its structured approach to internal control has also been adopted as the best approach for addressing compliance with the Sarbanes-Oxley Act of 2002.

There are five interrelated components, derived from an organization’s operations and administrative processes, which must be present in order for an internal control system to be effective. These are:

1. **Control Environment** – The core of any institution is its people. Their individual attributes (integrity, ethical values, and competence) and the environment in which they operate determine the success of the institution.
2. **Risk Assessment** – Institutions must be aware of the risks they face and establish mechanisms to identify, analyze, and manage risks.
3. **Control Activities** – Control policies and procedures must be established and executed to help ensure that objectives are achieved. These activities include approvals, authorizations, verifications, reconciliations, security of assets, and segregation of duties.
4. **Information and Communication** – An effective system should enable employees of the institution to capture and exchange the information needed to manage and control its operations.

5. **Monitoring** – The internal control system must be monitored and modified as necessary so that the system can react to changing conditions.

Monitoring occurs on an ongoing basis during normal operations or through separate evaluations by management.

The COSO report also identifies the limitations of internal control. No matter how well designed and operated, internal control can provide only *reasonable assurance* regarding achievement of an organization's objectives. Chief among these limitations is simple human error or faulty judgments. Additionally, controls can be circumvented through collusion and well-planned fraud. Management should evaluate all of these factors within the context of a cost benefit relationship so that the organization is not burdened by an excessive and expensive control system that provides little added benefit.

The Control Self-Assessment Process

The Texas State Auditor's Office (SAO) issued to all state agencies a list of "Best Practices" for internal control. The SAO said, "*Implementing the COSO concepts including the Self-Assessment Program may be the most important of the best practices.*" CSA is an approach to internal control where work groups, departments, functions or business process owners analyze their business objectives, risks and related controls. The goal is to improve controls to assure that the organization's stated objectives can be achieved. CSA can be accomplished by means of workshops, surveys or questionnaires. Given the large size of the target population within the District, questionnaires addressing various functional areas are the most efficient and effective method to use. The questions are intended to measure cost center managers' awareness of the various control activities that have been established, as well as identifying opportunities for enhancement and possible training needs.

The following is a brief outline of the 2008-09 CSA program:

1. The CSA coordinators from each of the District locations met in November 2008 to identify the functional area to be addressed in this year's questionnaires.
2. The President's Cabinet (top management group) at each location was informed of the area to be covered and the location's president or CEO communicated the purpose for CSA to their cost center managers.
3. The coordinators developed the questionnaire focusing on the various topics covered in the document "Working with Confidential Information", and in early spring of 2009 the questionnaire was sent to all participants.
4. Responses from the questionnaire were analyzed and shared with the management groups at each location. Each location participated in preparing action plans to address the areas identified as needing additional attention or training.
5. Finally, in early summer, the questionnaire summary and the action plan recommendations were communicated to the cost center managers who initially completed the questionnaire.

In November 2009, the CSA cycle will begin all over again. New functional areas will be identified and questionnaires will be developed.

Questionnaire Results and Summary of Action Plans

As previously stated, all locations of the District participated in the CSA program. At the initial meeting in November the planning group decided to devote this year's entire program to the issue of information privacy and security. Using the District's "Working with Confidential Information" document (which can be

found at the District web page <http://www.dcccd.edu/IPSP/ConfidentialInfo>) as the basis for the questions, the survey was prepared and included 33 questions.

Each location evaluated the results of their questionnaires. Although the questionnaires were the same for all locations, CSA was purposely intended to be a unique project at each location, not a district-wide project. As anticipated, results from the questionnaires varied from location to location. The specific method and timing for addressing those areas identified as needing additional attention was to be determined by each location's management. However, given the global nature of this year's program, the Information Privacy and Security Officers (IPSO) from each location collaborated in the preparation of the action plans.

A district-wide summary of the questionnaire is attached to this report. The questionnaire was distributed to 633 district administrators, supervisors and cost center managers with 399, or 63% of those responding. Of the 33 questions included in the survey, 16 questions (48.5%) received negative responses from 20% or more of the participants. These questions cover such issues as sending faxes with confidential information, handling requests for student information, storing confidential information, using secure passwords, and reporting an information security breach, among others. The questions have been highlighted as ones needing more emphasis in determining the action plans. The types of actions taken or proposed include, but are not limited to the following:

- Distribution of the Protecting Internal/Confidential Information flyers at new employee orientations.
- Development of an eCampus online course on information privacy and security for all employees to complete.

- ❑ Continuing to raise awareness with the information privacy and security newsletter published three times a year and distributed via email to all employees.
- ❑ Development and distribution via email of monthly tips based on the questions that were identified in the survey with high negative responses.
- ❑ Development of information privacy and security FAQs (Frequently Asked Questions) on the district website.
- ❑ Development of various activities and events to raise awareness on information privacy and security to be presented on a district and college level during the National Security Awareness Month in October. These activities will include:
 - “Meet your IPSO” activity at each location
 - Publication of the DCCCD’s Fall IPS newsletter
 - Distribution of various security handouts and posters
 - Academic Impressions webinars on October 20th and 21st hosted by the LeCroy Center on putting the new FERPA regulations into practice and training staff on the new FERPA regulations
 - Presentation by the district’s chief information privacy and security officer at a supervisor orientation on October 14th on the responsibilities of supervisors with regard to the district’s information and security program

Conclusion

All indications are that the CSA program continues to be a very worthwhile effort and beneficial to both the administration and the participants. Feedback received continues to indicate that the program has influenced in a positive manner the participants’ awareness for the need and importance of internal control. The administration has gained valuable insight as to those functional areas where controls may be enhanced through additional communication, clarification, or training. Future CSA cycles addressing other functional areas should continue to

add value to the District and ensure that the system of internal control is maintained current and viable.

I would like to recognize all of the CSA Coordinators and especially the district's Chief Information Privacy and Security Officer and all college IPSOs for their cooperation and assistance in making this year's program a success. I would also like to thank senior management for their wholehearted and ongoing support of the CSA program. Finally, I would like to thank all administrators, supervisors and cost center managers for their participation in the program by responding to the questionnaire.

Rafael J. Godinez, CPA

Executive District Director
Of Internal Audit
August 31, 2008

CONTROL SELF-ASSESSMENT SURVEY
District Wide Results
For Fiscal Year 2008-2009

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
1. Are you aware of DCCCD's Information Classification Scheme that defines public, internal and confidential information types?	271	119	9	399	68%	30%	2%
2. Are you aware that the following information is generally considered only for internal use by District school officials as needed for their job functions and is not disclosable to the public unless required by law: •Colleague ID and Driver's license number, •Student directory information marked private, •Employee information marked private.	392	7	0	399	98%	2%	0%
3. Are you aware that a student may request that his/her directory information be flagged as private and then it must not be disclosed as public information unless required by law?	385	9	5	399	96%	2%	1%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
4. Are you aware that employees can request that their home address, home phone numbers, and any information that reveals family members be marked as private and then it must not be disclosed as public information unless required by law?	380	19	0	399	95%	5%	0%
5. Are you aware that confidential student records include but are not limited to grades and academic standing, social security numbers, credit/debit card information, and medical records?	380	12	7	399	95%	3%	2%
6. Are you aware of what constitutes student directory information vs. student confidential record information?	306	79	14	399	77%	20%	4%
7. Are you aware that social security numbers should be avoided in almost every case in favor of Colleague ID numbers on reports, forms, databases, etc?	395	4	0	399	99%	1%	0%
8. Are you aware that each location has an Information Privacy and Security Officer (IPSO)?	239	157	3	399	60%	39%	1%
9. Do you know who the IPSO is at your location?	187	208	4	399	47%	52%	1%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
10. Are you aware that confidential information must only be saved on secure DCCCD network drives (e.g. U:, P: drive, etc.) and not on your C drive or external drives such as USB drives unless approved by your location IPSO who must also approve an encryption method?	315	79	5	399	79%	20%	1%
11. Are you aware that confidential information must never be sent via email from your DCCCD GroupWise email address to a non-DCCCD GroupWise email address unless it is transmitted securely using an encryption method approved by your location IPSO?	327	65	7	399	82%	16%	2%
12. Are you aware that instant messaging programs are not secure and must never be used to send confidential information?	344	42	13	399	86%	11%	3%
13. Did you know that credit card account numbers must not be solicited or accepted via fax?	319	60	20	399	80%	15%	5%
14. When necessary to send a fax with internal or confidential information, did you know you must call ahead to alert the recipient so that they can promptly retrieve the information?	293	91	15	399	73%	23%	4%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
15. Are you aware that confidential information must not remain exposed in a fax tray for long periods of time?	373	18	8	399	93%	5%	2%
16. Are you aware you must never allow confidential information (especially credit card numbers or social security numbers) to be overheard by unauthorized people (e.g. by repeating information aloud, during conversations, using a speakerphone, etc?)	385	8	6	399	96%	2%	2%
17. Did you know you can lock your Windows workstation by pressing the window key and "L" at the same time on your keyboard?	175	218	6	399	44%	55%	2%
18. Did you know that "confetti" cut shredders must be used for shredding confidential information?	305	87	7	399	76%	22%	2%
19. Did you know you should contact the DSC Records Management Department if you have questions concerning the retention, storage, and disposal of confidential documents?	332	61	6	399	83%	15%	2%
20. Are you aware that confidential information must be kept in locked rooms and file cabinets to restrict access by unauthorized persons?	379	16	4	399	95%	4%	1%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
21. Are you aware that DCCCD work-related passwords should not be re-used for access to systems outside of the DCCCD environment?	300	96	3	399	75%	24%	1%
22. Do you know the recommended guidelines for creating strong secure passwords?	318	78	3	399	80%	20%	1%
23. Are you aware that employees should never use their GroupWise Novell login ID for external use as an account login or email address? (example- Novell login: abc1234)	324	73	2	399	81%	18%	1%
24. Do you know that you should only use your GroupWise email address alias and never use your Novell formatted GroupWise email address (e.g., abc1234@dcccd.edu) with: <ul style="list-style-type: none"> •non-DCCCD contacts, •on business cards, •Web sites, •as a GroupWise email signature, or •in any print publications? 	325	71	3	399	81%	18%	1%
25. Do you know how to request a GroupWise email address alias?	280	111	8	399	70%	28%	2%
26. Did you know that written requests received for student directory information must be sent to the Registrar's Office?	270	105	24	399	68%	26%	6%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
27. Are you aware that written requests for student information other than directory information must be faxed to the District Legal department?	179	194	26	399	45%	49%	7%
28. Are you aware that in accordance with Board Policy DH (LOCAL), VIOLATIONS, employees shall comply with the standards of conduct set out in DH (LOCAL) policy and with any other policies, regulations, and guidelines that impose duties, requirements, or standards attendant to their status as District employees?	340	52	7	399	85%	13%	2%
29. Do you know who your location Information Privacy and Security (IPS) Incident Response Coordinator is?	179	214	6	399	45%	54%	2%
30. Are you aware that you are to report any IPS breach to the location Incident Response Coordinator immediately upon knowledge?	243	150	6	399	61%	38%	2%
31. Are you aware that any malware on your computer, such as viruses, worms or Trojans, should be reported directly to your location Information Technology support staff immediately?	384	11	4	399	96%	3%	1%

	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>TOTAL</u>	<u>%</u> <u>YES</u>	<u>%</u> <u>NO</u>	<u>%</u> <u>N/A</u>
32. Are you aware that you must immediately report to your location Incident Response Coordinator any incidents involving sensitive information (including electronic devices containing sensitive information) that may have been:							
•lost, stolen, missing;							
•accidentally released;							
•sent to the wrong person;							
•misused and/or							
•involved in unauthorized access	316	77	6	399	79%	19%	2%

33. Are you aware that the DCCCD has an Information Privacy and Security Program web site at http://www.dccd.edu/IPSP that includes the following information:							
•IPS Incident Response Coordinators;							
•Location Information Privacy and Security Officers;							
•IPSP Compliance Resources (e.g., Board policies; DCCCD procedures, standards, guidelines; Texas laws and regulations; U.S. laws and regulations; industry standards);							
•IPS Newsletters and							
•Security Procedures and Checklists: (e.g., How to Create a Strong Password, Working with Confidential Information; How to Report an Information Privacy/Security Breach; Information Classification Scheme)?	185	209	5	399	46%	52%	1%

TO: Audit Committee of the Board of Trustees

FROM: Rafael J. Godinez, CPA

DATE: September 2, 2009

RE: Quarterly Summary of Activities
For the 4th Quarter Ended August 31, 2009

The following is a summary of activities by the DCCCD Internal Audit Department since the Audit Committee meeting of July 7, 2009.

AUDITS COMPLETED – Reports Issued

- Employee Travel Expenses

The purpose of this audit was to ensure compliance with District policies and procedures pertaining to employee travel. A sample from all locations and from all employee groups was selected for testing. No significant findings were noted. However, we did report to management several issues which continue to occur during travel. These included trips extended prior or subsequent to the stated conference without adequate support, payment of Texas State Tax on hotel stays, disallowed expenditures, and lack of adequate documentation for driving versus flying costs. Employees refunded approximately \$515 travel expense.

- Construction Related Payments

The purpose of this audit was to review the accuracy of payments made to contractors for construction projects and to ensure processing controls and procedures are adequate to determine compliance with contract provisions. No significant audit findings were noted. However, we reported to management the need to expedite the processing of contractors' billings in order to comply with the State's interest regulations. The District had to pay approximately \$6,000 in interest for the current year.

- Physical Property Inventory

The purpose of the audit was to determine compliance with District policy pertaining to the annual physical inventory. All colleges and District locations did a great job in locating all of the items selected for testing. There were no significant audit findings.

AUDITS IN PROGRESS

The following audits are currently in progress:

- General Disbursements and Controls
- Payroll Disbursements and Controls
- Federal Student Financial Aid
- A-133 Grants

OTHER

Control Self Assessment

This year's Control Self-Assessment program has been completed. This year's survey consisted entirely of questions pertaining to information and data security related issues. Privacy and security of information has been a significant risk over the past several years due to the increase of "hacking" activities reported in the news media. The District has been working to develop policies and procedures to ensure the safety and security of employee and student financial and personal information.

Preliminary results indicate the need for continued focus and training on rules, regulations and procedures to ensure the safeguarding and security of information. This year's report lists some of the methods the colleges' Information and Privacy Security Officers will employ to enhance awareness of this very important topic.

Financial and A-133 Audit

Work programs have been received from the audit team from Grant Thornton pertaining to this year's financial statement and A-133 audit. The Internal Audit staff will be working to complete the requested assignments by the time the auditors return in the fall.

cc Wright Lassiter
Ed DesPlas

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

Internal Audit Department

Plan for the Year Ending August 31, 2010

<u>Audit Staff</u>	<u>Degree/ Certification</u>	<u>Title</u>	<u>Starting Date</u>
Godinez, Rafael	BBA, CPA	Director	June 1988
Huber, Joseph	BBA	Auditor II	June 1980
Archer, Anthony	BBA	Auditor II	April 1999
Bekele, Lamrot	MS, CPA	IT Auditor	June 2003

Total Available Days		1,044	100%
Less Non-Audit Days:			
Vacation	81		8%
Holidays	56		5%
Sick Days	48		5%
Other	30		3%
Supervision & Administration	<u>202</u>		19%
Total Non-Audit Days		<u>417</u>	40%
Net Audit Days Available		627	60%
Reserved for Special Requests		<u>27</u>	3%
Net Planned Audit Days		<u><u>600</u></u>	57%

Planned Audits

<u>Audit Number</u>	<u>Description</u>	<u>Estimated Man-days</u>
2010-01	ASSISTANCE TO GRANT THORNTON LLP Audits in conjunction with the financial and A-133 reviews. - Federal Programs/Financial Aid - Disbursement: General - Disbursement: Payroll - Other Requests	30 15 15 10
2010-02	FOLLOW-UP ON PREVIOUS AUDITS Review status of implementation of prior audit recommendations.	15
2010-03	PETTY CASH AND IMPREST FUNDS Review and test controls over petty cash and imprest funds disbursements.	15
2010-04	PHYSICAL ASSETS INVENTORY OBSERVATION Observe and test physical inventory and procedures pertaining to changes in inventory records.	20
2010-05	EMPLOYEE TRAVEL EXPENSES Audit of travel expense reports for compliance with District policies.	25
2010-06	RICHLAND COLLEGIATE HIGH SCHOOL Audit for compliance with Texas Education Agency governing rules and regulations.	30
2010-07	FACULTY LOAD Audit for compliance with district policies and guidelines for full-time faculty.	30

2010-08	FACULTY LEAVE BANKING Audit for compliance with IRS regulaions and district policies and procedures.	30
2010-09	GRANT AUDIT - UPWARD BOUND - CVC Audit for compliance with grant provisions and District policies.	25
2010-10	GRANT AUDIT - UPWARD BOUND - MVC Audit for compliance with grant provisions and District policies.	25
2010-11	SOFTWARE LICENSE COMPLIANCE Audit for compliance with license agreements and review of college procedures and controls.	35
2010-12	HAZARDOUS MATERIALS HANDLING Collaborative audit with Risk Management for compliance with safety regulations.	30
2010-13	CRIMINAL BACKGROUND CHECKS Audit for compliance with laws and regulations for employees working in youth programs.	30
2010-14	ACCESS CONTROLS - FINANCIAL Audit of controls over access to Colleague's financial applications modules.	25
2010-15	ACCESS CONTROLS - STUDENT Audit of controls over access to Colleague's student module - grading.	25
2010-16	SURPLUS PROPERTY DISPOSAL Audit of controls and compliance with business procedures over property disposals.	30
2010-17	NJCAA COMPLIANCE Audit for compliance with rules and regulations governing junior college athletic programs.	35

2010-18	FUEL INVENTORY CONTROL Audit of controls and compliance with business procedures over fuel inventories.	25
2010-19	CONTRACT COMPLIANCE - CUSTODIAL - ABS Audit for compliance with provisions of contract for custodial services.	35
2010-20	MANDATORY VACATION POLICY Audit for compliance with policies pertaining to employee mandatory vacation.	25
2010-21	BUSINESS INCUBATOR CENTER Audit of contracts with BIC tenants and review of collection activities.	20

600

POLICY REPORT NO. 6

Approval of Resolution Relating to Investment Policy

It is recommended that the resolution reflecting review of the investment policy and strategies be approved, and, that Board Policy CAK (LOCAL) maintain its current wording.

Background

Board Policy CAK (LEGAL), paragraph on ANNUAL REVIEW, states: *The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.*

In additional the policy states: *The investment officers shall prepare a report describing changes in the law and their impact on the College District's investment policy and strategy. The report shall be delivered to the Board no later than the 180th day after the last day of each regular session of the legislature.* In compliance with that requirement, the Board is hereby notified that the only change to the Public Funds Investment Act during the 81st Legislative Session was an amendment to *Government Code 2256* which permits cities that receive oil and gas royalties to invest those funds in the same manner as a trustee administering a trust under the powers granted by the Texas Trust Code. This amendment does not affect the District.

The Audit Committee reviewed investment policies and strategies on September 15, 2009.

Because there were no changes in the Public Funds Investment Act affecting the District, no change in the current investment policy is recommended at this time.

Maintaining the current policy satisfies the requirement for annual review.

Submitted by Edward M. DesPlas, executive vice chancellor, business affairs.

RESOLUTION
OF THE BOARD OF TRUSTEES
OF THE DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

WHEREAS, the Audit Committee of the Board of Trustees of Dallas County Community College District in its quarterly meeting on September 15, 2009, reviewed the Board's investment policy and strategies; and

WHEREAS, the Audit Committee further recommended no changes to the investment policy, CAK (Local); and

WHEREAS, the Audit Committee's review and recommendation was considered by the Board of Trustees at its regular meeting on October 6, 2009; NOW THEREFORE,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF DALLAS COUNTY COMMUNITY COLLEGE DISTRICT:

Section 1. That the Audit Committee's review of the Board's investment policy and strategies is accepted and approved.

Section 2. That there are no recommended changes to CAK (Local) by the Audit Committee and its recommendation is accepted and approved.

Section 3. That this resolution is effective upon adoption by the Board of Trustees.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

By: _____
Jerry M. Prater, Chair
Board of Trustees

ATTEST

By: _____
Wright L. Lassiter, Jr., Secretary to
The Board of Trustees
Dallas County Community College District

REPORT FROM INVESTMENT OFFICERS ON TRAINING

Board Members (0)

Board Policy CAK (LEGAL) provides: *Each member of the Board and its investment officer shall attend at least one training session, provided by the Texas Higher Education Coordinating Board, relating to the person's responsibilities under the Public Funds Investment Act within six months after taking office or assuming duties.*

<u>Name</u>	<u>Training Date</u>	<u>Source</u>
None		

Investment Officers (2)

Board Policy CAK (LEGAL) provides: *The investment officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Board.*

Three officers took required training this past year.

<u>Name</u>	<u>Training Date</u>	<u>Expiration Date</u>	<u>Source</u>
Ed DesPlas	October 24, 2008	October 24, 2010	University of North Texas Center for Public Management
Kim Green	June 22, 2009	June 22, 2011	Public Financial Management, Inc. (PFM)
Robb Dean	June 22, 2009	June 22, 2011	Public Financial Management, Inc. (PFM)

Investment Staff (0)

In addition to the investment officer named above, the District's investment analyst attended training as follows:

<u>Name</u>	<u>Training Date</u>	<u>Expiration Date</u>	<u>Source</u>
Marcus Warr	January 21, 2009	January 21, 2011	University of North Texas Center for Public Management

FINANCIAL REPORT NO. 8

Approval of Broker-Dealers

It is recommended that the Board of Trustees approve the attached list of broker-dealers, as provided by Board Policy CAK (LEGAL), which states: *The Board or a designated investment committee, shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the College District.*

Background

The Audit Committee reviewed the attached list of broker/dealers on September 15, 2009.

After reviewing proposals from broker-dealers, the following investment firms are recommended as those best fitting District requirements and investment needs for fiscal year 2009-10. The singular change was the deletion of Lone Star Investment Pool which was not used during the past fiscal year.

Submitted by Edward M. DesPlas, executive vice chancellor business affairs.

LIST OF QUALIFIED BROKER/DEALERS

INVESTMENT POOLS RECOMMENDED

The investment pools listed in this report, TexPool and TexSTAR, were organized in accordance with The Interlocal Cooperation Act and the Public Funds Investment Act, (Chapters 791 and 2256) of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

TexPool¹: Texas Local Government Investment Pool ("TexPool") was organized in 1989 with the State Comptroller of Public Accounts providing oversight. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. As of July 2009, TexPool has 2,184 participants and a total invested balance of \$17.1 billion. Of that amount, 54.5% is invested in Repurchase Agreements, 43.5% is invested in Agency Notes and 2.0% is invested in Treasury Securities. TexPool's weighted average maturity is 49 days; Standard & Poor's current rating is AAAM.

TexSTAR²: TexSTAR was created in April 2002 through a contract among its participating governing units. The pool is governed by a board of directors to provide for the joint investment of participants' public funds under their control. TexSTAR is administered by JP Morgan Chase and First Southwest Asset Management, Inc. TexSTAR is organized in full compliance with the Texas Public Funds Investment Act. As of July 2009, TexSTAR has 687 participants and a total invested balance of more than \$5.4 billion. Of that amount, 25.03% is invested in Repurchase Agreements, and 74.97% in Agency Notes. TexSTAR's weighted average maturity is 49 days; Standard & Poor's current rating is AAAM.

¹ Source: July 2009 TexPool Newsletter

² Source: July 2009 TexSTAR Newsletter

BROKER/DEALERS

Annually the District performs due diligence on the broker/dealers that are approved to do business with the District. This is accomplished by researching the record of actions taken by individuals and filed with the Financial Industry Regulatory Authority (FINRA). Each of the following broker/dealers has been reviewed. None have actions that involve any criminal activity. The actions listed are various lawsuits and arbitration actions taken by the SEC that are not material in effect.

All broker/dealers are members of FINRA and Securities Investor Protection Corporation (SIPC) and are registered with the Security and Exchange Commission (SEC) as well as the Texas State Securities Board. Primary broker/dealers may perform treasury and federal agency notes transactions and repurchase transactions with the District. Secondary broker/dealers may perform only treasury and federal agency notes transactions for the District.

Primary Dealers

Bank of America Merrill Lynch: Bank of America Corporation is a publicly traded company headquartered in Charlotte, North Carolina. It is one of the world's leading financial services companies. The company's Global Corporate and Investment Banking (GCIB) segment provides investment banking, equity and debt capital raising, research, trading, risk management, treasury management and financial advisory services. Through offices in more than 30 countries, GCIB serves domestic and international corporations, institutional investors, financial institutions and government entities. The Corporation acquired Merrill Lynch & Co., Inc. on January 1, 2009.

Deutsche Bank Alex. Brown Securities Inc.: Founded in 1800, Alex. Brown underwrote the first initial public offering in America: the Baltimore Water Company in 1808, followed by the B&O railroad. The 1999 merger with the German colossus Deutsche Bank expanded the firm's reach far beyond America and united its background with a bank that is an integral part of the financial history of Europe. Deutsche Bank Alex. Brown and over 235 Client Advisors operate in 16 branch offices around the United States. Client Advisors deliver advice and solutions to institutional and corporate clients. Deutsche Bank Alex. Brown has approximately \$61 billion in assets under control. With roughly 65,435 employees, the bank serves customers in 73 countries worldwide. More than half of the bank's staff work outside Germany. The bank offers corporate and institutional clients the full product assortment of an international corporate and investment bank. The firm's investment banking activities focus on health care, media, telecommunications, real estate, and technology industries.

Barclays Capital: This broker/dealer is the investment banking division of Barclays Bank PLC. With a distinctive business model, Barclays Capital provides large corporate, government and institutional clients with a full spectrum of solutions to their strategic advisory, financing and risk management needs. The firm offers investment and merchant banking services, as well as underwriting, equities and fixed income products (bonds and other debt), asset management, institutional sales, and private client services. In 2008 Barclays Capital acquired Lehman Brothers' North American investment banking and capital markets businesses. This acquisition cemented Barclays Capital position for its clients with a leading presence in all major markets and across all major lines of business including equities, credit, fixed income, mergers and acquisitions, commodities trading and foreign exchange.

Cantor Fitzgerald L.P.: Founded in 1945 and headquartered in New York City, Cantor Fitzgerald has trading desks in all major worldwide financial centers, 30 worldwide offices and a 2,500 person global workforce. Cantor Fitzgerald first commenced operations as a world-class voice brokerage service for Wall Street's fixed income inter-dealer community. Cantor is a recognized leader in the specialized areas of equity and fixed income capital markets, offering an array of products and services to more than 5,000 institutional clients around the world. Presently, Cantor operates trading desks in every major financial center in the world, with offices in 36 locations around the world and a team of approximately 1,400 employees.

JP Morgan Securities, Inc. is a global industry leader with more than \$13.7 trillion in assets under custody and \$5.1 trillion in assets under administration. JP Morgan Securities provides access to J.P. Morgan's resources, tools and products. Their platform supports diverse business types: institutional/capital markets, trading, wealth management, prime brokerage, fixed income and international firms. JP Morgan Securities is registered with the SEC and 11 self-regulatory organizations. Their headquarters office is in New York City. J.P. Morgan Worldwide Securities Services is a premier securities servicing provider that helps institutional investors, alternative asset managers, broker dealers and equity issuers optimize efficiency, mitigate risk and enhance revenue. Worldwide Securities Services leverages the firm's unparalleled scale, leading technology and deep industry expertise to service investments around the world.

Secondary Dealers

Wells Fargo Brokerage Services, LLC is a national financial services firm with an experienced team of brokers, traders and sales assistants who are affiliated with Wells Fargo Institutional Securities, LLC. Wells Fargo Brokerage Services, LLC is a Minnesota-based investment manager with over \$12 billion assets under

management. The firm provides investment services to money managers, banks, corporations, insurance companies, and public entities. Its services include commercial sweep accounts, debt underwriting, and institutional funds management. It is based in Minneapolis, Minnesota. Wells Fargo Brokerage Services, LLC operates as a subsidiary of Wells Fargo & Co. Wells Fargo provides a full-service approach with support in sales of treasuries, agency securities, and other money market securities.

UBS Financial Services, Inc. is one of the world's leading financial firms, serving an international client base. UBS is a leading global wealth manager, a leading global investment banker and securities firm. It is one of the largest global asset managers. In Switzerland, UBS is the market leader in retail and commercial banking. UBS is present in all major financial centers worldwide. It has offices in over 50 countries, with about 38% of its employees working in the Americas, 34% in Switzerland, 15% in the rest of Europe and 13% in Asia Pacific. UBS employs more than 70,000 people around the world. Its shares are listed on the Swiss Exchange (SIX), the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE).

Cabrera Capital Markets LLC is a full service broker-dealer headquartered in the heart of Chicago's financial district and with offices throughout the country. Cabrera is a member of the Municipal Securities Rulemaking Board (MSRB) and the Chicago Stock Exchange (CHX). Cabrera Capital Markets is also a certified Minority Business Enterprise (MBE).

Coastal Securities L.P.: Headquartered in Houston, Texas, Coastal Securities L.P. was founded in 1991 as a broker-dealer of fixed income securities. Coastal Securities L.P. serves as either an underwriter or financial advisor to a variety of public entities. In June 1996, Coastal Securities L.P. acquired another Houston-based securities firm, confirming Coastal's commitment to the fixed income market.

Muriel Siebert & Co., Inc.: Siebert was one of the first stock brokerage firms in the U.S. to adopt a discounted commission schedule on May 1, 1975, when discounting was first permitted. Siebert conducts its municipal investment banking activities through Siebert, Brandford, Shank & Co., LLC, a separate M/WBE certified affiliate specializing in municipal and financial advisory services. Siebert is based in New York City and recently purchased the retail brokerage accounts of William O'Neill & Co., the Los Angeles-based institutional equities and financial data firm which is the parent company of Investors Business Daily. Siebert has a large well-established retail account base, over 100 employees, and revenues greater than \$25 million a year.

RBC Capital Markets: This is a wholly owned subsidiary of Royal Bank of Canada. The company's broker-dealer, RBC Dain Rauscher Inc., serves individual investors and small business owners through offices across the United States, and capital markets and correspondent clients in select U.S. and international markets. In March 2002, RBC Dain Rauscher merged with Tucker Anthony Sutro to form the nation's ninth largest full-service securities firm.