The Board Governance and Policy Committee of the Board of Trustees of the Houston Community College System held a meeting on Tuesday, October 16, 2007, at the System Administration Building, 3100 Main, 2nd Floor Seminar Room A, Houston, Texas.

COMMITTEE MEMBERS PRESENT
Bruce A. Austin, Committee Chair
Richard Schechter, Committee Member
Diane Olmos Guzman, Committee Member
Jay K. Aiyer
Abel Davila
Yolanda Navarro Flores
Christopher W. Oliver
Mills Worsham

ADMINISTRATION
Mary S. Spangler, Chancellor
Arthur Tyler, Deputy Chancellor/COO
Miles LeBlanc, General Counsel
Doretha Eason, Executive Assistant to the Chancellor
Irene Porcarello, VC, Student Success
Fena Garza, President, Southeast College
Zachery Hodges, President, Northwest College

OTHERS PRESENT
Jarvis Hollingsworth, Counsel, Bracewell & Giuliani
Linda Koffel, President, Faculty Senate
Other administrators, citizens, and representatives of the news media

CALL TO ORDER
Mr. Austin called the meeting to order at 3:06 p.m. and declared the Committee convened to consider matters pertaining to the Houston Community College System as listed on the duly posted Meeting Notice.

ADOPTION OF FRAUD AND ILLEGAL ACTIVITY HOTLINE PILOT AT HCC
Recommendation – Consider adoption of a fraud and illegal activity hotline pilot at HCC.

Mr. Austin apprised that Counsel would apprise of policies implemented by some of the local colleges.

Mr. Austin noted that a hotline could be one of the best defenses that an institution may utilize in prevention of fraud. He requested that a similar hotline be implemented at the HCC.
Mr. Hollingsworth provided a presentation of what other colleges have implemented. He noted that a variety of options that could be utilized.

Mrs. Guzman noted that the ABA sighted that for clarity or transparency there should be some form of mechanism for employees to be able to report illegal activity.

Mrs. Flores asked if there were any research conducted as it relates to similar programs at other community colleges. Mr. Austin apprised that his research was beyond community colleges but noted that there were a few community colleges in the northeast areas.

Mrs. Flores requested that Counsel provide a brief analysis of Sarbanes-Oxley and its effects as it relates to similar Boards with any relevant changes.

Mr. Schechter recommended administration provide research on the results, cost, etc.

Motion - Mr. Austin recommended that a policy proposal analysis be provided to the Board. Mr. Schechter seconded the motion. The motion passed with a vote of 3-0.

(Mr. Aiyer arrived at 3:23 p.m.)

(Mr. Oliver arrived at 3:24 p.m.)

INTERNAL AUDIT – CONTROLLER REPORT

Recommendation – Discuss the internal audit as it relates to the Texas School Performance Review report.

Mr. Austin apprised that the issue came to his attention when he received the October 5, 2007 Board letter that reference the movement of the Procurement Department. He noted that in reviewing the Texas School Performance Review report on the internal audit, the internal audit department should report to the Board and/or the Chancellor.

Mr. Oliver apprised that it was his opinion that the Board reviewed the internal audit concerns.

Mr. Davila asked for the status of the current internal audit department. Dr. Tyler apprised that the current internal audit department is a direct report to him and informed that he and Dr. Spangler have discussed this concern. He noted that Dr. Spangler agrees that the internal audit department should be reporting directly to her.

Mr. Davila noted that there is also concern as to why the department is not functioning as it should be, if that is the case. He noted that the purpose of the department is to apprise the Board of any concerns.

Mr. Austin associated with Mr. Davila’s point that one of the most significant responsibilities of the internal audit is to assist the Board in protecting the college. He noted that the Board should also have input as to who is hired as the internal auditor.

Mr. Aiyer asked if there is a differentiation in reporting to the Chancellor versus reporting to the Board.

Mr. Hollingsworth noted that the internal audit reports are imperative and noted that the internal auditor in most situations reports directly to the Board and/or Chancellor.
(Dr. Spangler arrived at 3:39 p.m.)

Mrs. Guzman asked if there is an independent external auditor.

Mr. Austin noted that there is an auditor who conducts the annual audit as it relates to the Generally Acceptable Accounting Principals (GAAP).

Mr. Schechter noted that there are three different subjects for discussions: (1) internal auditor who reviews process and procedures, (2) external auditor who reviews the functions and accounting principals, and (3) external audit in lieu of administration change in administration.

Dr. Tyler noted that he has the internal auditor report and apprised that there are several items to be reviewed. He noted that there should be an assessment provided to the Board since it has the fiduciary responsibilities.

The Committee concluded that administration should provide a report for the Board’s review as it relates to the Internal Auditor.

Mr. Aiyer noted that the internal auditor should report to the CEO who reports to the Board. He noted that there might not be a need for simultaneous review of the report.

Mr. Schechter recommended that the internal audit system is reviewed from the perspective of capacity, method of reporting, etc. and that a report is provided to the Board.

Mr. Schechter recommended that the administration devise a system for an enhanced internal audit department to make sure the internal auditors have the ability to do their job. They should devise the exact method of reporting and bring it back to the Board with recommendations. He noted that this was in respect to the internal audit department. Mr. Schechter noted that he had no recommendation regarding our external audit in general. He apprised that the second part of his recommendation is that the Board authorizes administration to do a one-time external audit of the financial condition of the college by somebody who has not audited the college previously, in light of the change in Chancellors and a new Chief Operating Officer.

Motion – Mr. Schechter motioned to recommended a review of the internal auditing system and authorize administration to conduct a one-time external audit of the college’s financial condition by someone who has not previously conducted an audit for the college. Mrs. Guzman seconded the motion. The motion passed with a vote of 4-0 (Committee members voting: Trustees Austin, Guzman, Schechter and Trustee Oliver as Board Chair).

**ADJOURNMENT**

With no further business, the meeting adjourned at 3:53 p.m.

*Recorded by:*
Sharon R. Wright, Executive Administrative Assistant, Board Services

*Transcribed and submitted by:*
Sharon Wright, Executive Administrative Assistant, Board Services

*Minutes Approved: __________________________