



Minutes

ASI Audit Committee

 Tue September 8th, 2020

 11:00am - 12:00pm PDT

 <https://fullerton.zoom.us/j/98453973117>

 **In Attendance**

Call to Order

Jakob-Kohl Wright, Chair, called the meeting to order at 11:01 a.m.

Roll Call

Members Present: Aquino, Fernandez, Hanna, Sanchez, Scialdone, Thomas, Wright

Members Absent: Merida**

Ex-Oficio Member Present: Linares

Management Present: Allen, Edwards, McDoniel, Miller, Udell

Internal Auditors: Kristen Guzman, Andy Maffia

According to the ASI Policy Concerning Board of Directors Operations, attendance is defined as being present prior to the announcement of Unfinished Business and remaining until the scheduled end of the meeting.

* Indicates that the member was in attendance prior to the start of Unfinished Business, but left before the scheduled ending of the meeting.

** Indicates that the member was in attendance for a portion of the meeting, but not in attendance prior to the announcement of Unfinished Business.

There were no excused absences, but Merida notified the Chair that she would be late to the meeting due to another University obligation.

Approval of Agenda

Decision: (Thomas-m/Aquino-s) The agenda was approved by unanimous consent.

Approval of Minutes

7/22/20

Decision: (Aquino-m/Scialdone-s) The minutes from the July 22, 2020 meeting were approved by unanimous consent.

Public Speakers

Members of the public may address the Audit Committee members on any item appearing on this posted agenda.

There were no public speakers.

Reports

a. **Chair**

Wright had no report.

Unfinished Business

None

New Business

a. **Action: Acceptance of 2019-20 Audit Financial Statements**

The Committee will consider approving the financial statements prepared by an independent audit firm.

Wright yielded to Dave Edwards, ASI Executive Director.

Edwards stated that the auditors would present the financial statements to the Committee to accept.

Edwards yielded to Andy Maffia and Kristen Guzman.

Maffia stated that they have issued an unmodified opinion for the June 30, 2020 financial statements.

Maffia stated that they also look at the internal controls. Guzman will discuss the recommendations they have for internal controls.

Maffia stated that they set up a risk-assessed audit. They do not look at every transaction. They design the audit based on their understanding of the organization. They receive the full cooperation of the management and staff. There have been some changes and transitions in the accounting team. Overall, the audit has been very collaborative.

Guzman stated that they review internal controls. There are required audit procedures for cash receipts, disbursements and other transactions. They develop a test to compare to the organization's transactions and try to identify where the risks are.

Guzman stated that there were four material weaknesses found.

Guzman stated that there are three levels of weaknesses. Material weakness is the first. It means that there is a deficiency in the internal controls that could allow a material error. The second is a significant deficiency. This is not as material or big of a weakness. The third is an internal control deficiency. It is an area of improvement that is only communicated to management.

Linares asked if the recommendation that are not required could be put into writing and shared with the Committee.

Guzman stated that Edwards and McDoniel have the information and can share with the members.

Edwards stated that he would send the recommendations to the Committee later.

Guzman stated that there were four material weaknesses identified.

1. Financial Reporting
2. Fund Accounting
3. Segregation of Duties
4. Credit Cards and Cash Disbursements

Financial Reporting

Guzman stated that there are four different trial balances given at the beginning of the audit. The issue was that there were significant journal entries to reconcile balances. This created some differences from the audited report last year and the net balances. There were reconciliations and reports provided that did not tie to the end of the year balances. There was significant clean up needed at the end of the year.

Fund Accounting

Guzman stated there were some key things that were identified that create challenges. One is related to Athletics. ASI handles paying Athletics expenses from their bank accounts. The amounts are submitted to the campus for reimbursement. This creates opportunities to not report amounts and there is co-mingling of funds.

[Merida arrived to the meeting at 11:27 a.m.]

Guzman also stated that there was co-mingling of the Children's Center funds.

Hanna asked if the Children's Center is audited separately are they part of ASI.

Guzman stated that the Children's Center is part of ASI, but they also receive funding from the State of California. A separate compliance audit is required.

Segregation of Duties

Guzman stated that there is one person in the Financial Services office that has access to various transactions that presents a risk to the organization. This item was also a material weakness last year. Management has been working on resolving this weakness.

For HR payroll, there are student employees that have been given access to make changes to payroll information with no safeguards in place.

With the Children's Center, the employees that receive payments for services also post the payments to the system. There is the potential that the funds do not make it into the account.

Linares asked if the item regarding the student employees having access to payroll was on last year's report.

Guzman answered no. This was a new item for this year.

Credit Cards and Cash Disbursements

Guzman stated that there was lack of approval and documentation for some check requests and credit card transactions.

Edwards stated that nothing that Aldrich has shared was a surprise to management. The items were brought up last year or in the compliance audit. Audits are done to improve controls and protect resources.

Edwards stated that there is a lot of work to do in the financial area. Last year was just the beginning of the process. There have been some strides made.

Edwards stated that this year's schedule was condensed. Management will need more time on their responses, which will be provided in the next few weeks. The management responses will go to the Board for review and acceptance.

Linares stated that she trust management to address the concerns. Linares asked if there was a recommendation on what one item should fixed first what would it be.

Guzman suggested focusing on the segregation of duties. If this were addressed, it would help the issues with credit cards and cash disbursements.

Maffia stated that there are other information included in the documents sent to the Committee. There is a standard communication letter to the Board provided. In addition, there are the journal entries that came up during the audit process.

Maffia stated that there was an adoption of a new accounting standard.

AC 001 20/21 (Hanna-m/.Fernandez-s) A motion was made and seconded to accept the 2019-20 ASI Audited Financial Statements.

There was no discussion.

Decision: **AC 001 20/21** (Hanna-m/Fernandez-s) Roll Call Vote: 7-0-1. The motion passed.

Announcements/Member's Privilege

Wright thanked everyone for participation and hard work.

Adjournment

Wright, Chair, adjourned the meeting at 12:00 p.m.

Jakob-Kohl Wright, Committee Chair



Deserita Ohtomo, Recording Secretary

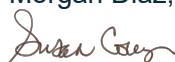
ROLL CALL VOTE

	001
Aquino	Y
Fernandez	Y
Hanna	Y
Merida	Y
Sanchez	Y
Scialdone	Y
Thomas	Y
Wright	A
Results	7-0-1

Approved by the Board of Directors:


Morgan Diaz (Sep 3, 2021 18:08 PDT)

Morgan Diaz, ASI Board Secretary



Susan Collins, Recording Secretary