



Audit Workshop

Santa Clarita Community College District

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Presenters



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Disclaimer

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.

Agenda



Audit Overview



Responsibilities of the District



Internal Controls



Common Findings

Audit Overview

Audit Requirements

- An annual financial statement and compliance audit of California Community College Districts is required by:
 - California Education Code: Section 84040 (b)
 - District Board Approved Policies
 - California Community Colleges Chancellor's Office: *Contracted District Audit Manual*
 - Federal Single Audit Compliance Regulations: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance* (2 CFR 200)

Audit Objectives

Financial Statements

- Our opinion on whether the financial statements are presented fairly

Federal Compliance

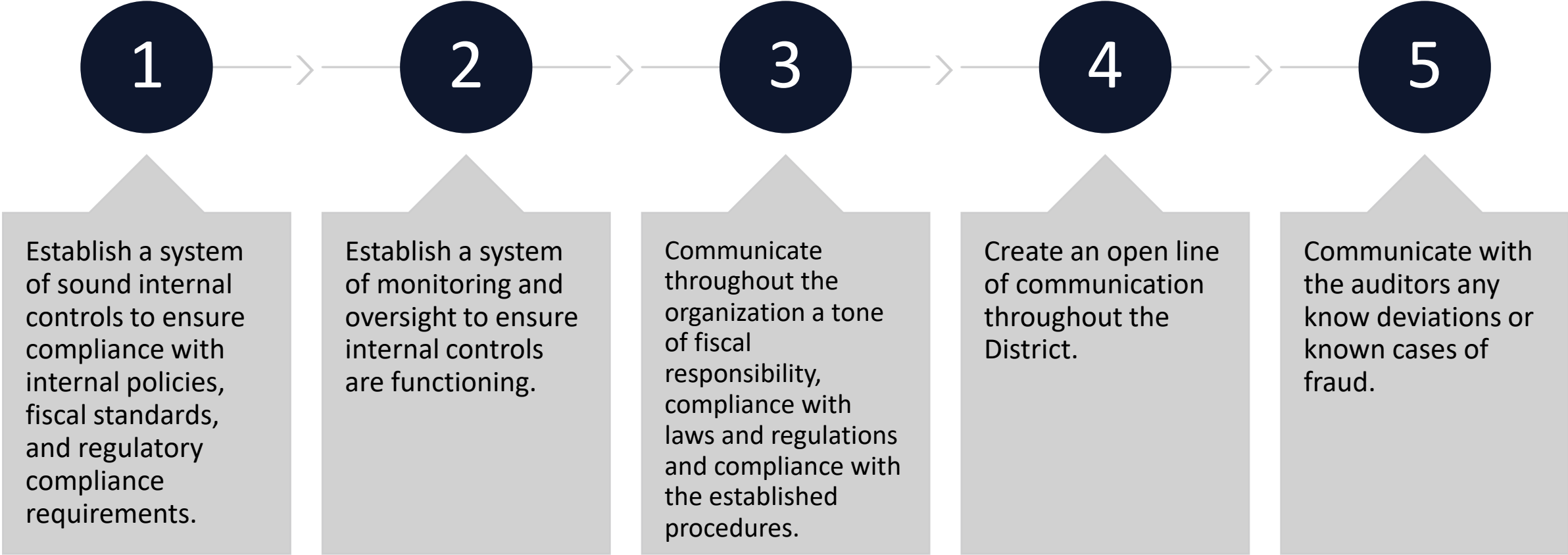
- Our opinion on whether the District is in compliance with Federal regulations over each major program.

State Compliance

- Our opinion on whether the District is in compliance with State regulations over certain compliance areas.

Responsibilities of the District

What are the responsibilities of the District and management?



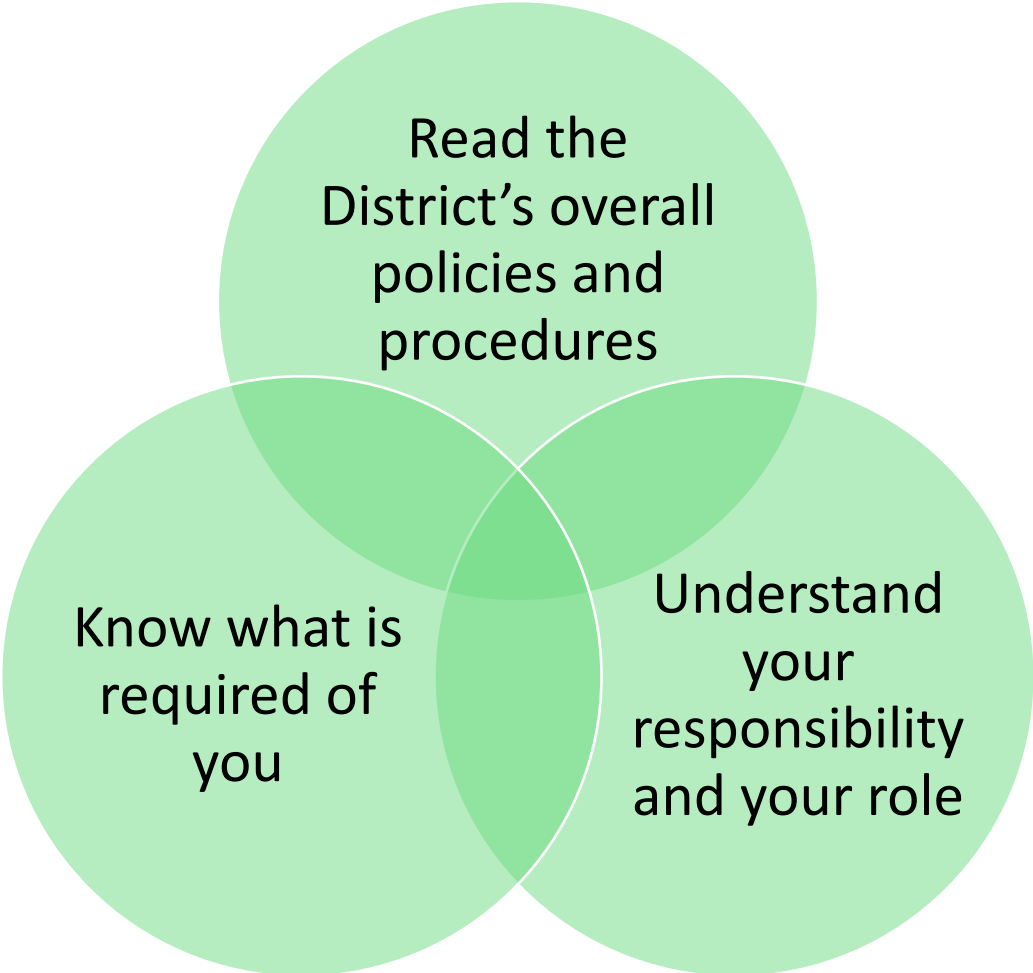
Internal Controls

What are internal controls?

- They provide for preparation of accurate and reliable financial reporting and information.
- They safeguard and provide accountability for assets.
- They ensure compliance with federal, state, and local regulations as well as with the District's policies.
- They protect the organization.
- **They protect you, the employee!**



What do I need to do?



Best Practices – Purchasing Goods

Know the rules before you buy

- Be familiar with the District's purchasing policies
- Understand spending limits, quote or bid requirements, and when contracts are required

Clearly explain what you are buying and why

- It should be clear what is being purchased
- Explain why it is needed
- If its grant funded, how does the purchase tie to the program?

Check that funding is available

- Use the correct account or budget code
- Confirm there is enough in the budget to cover the expense

Ask questions early

- If you are unsure of requirements, ask the purchasing department

Best Practices – Approving Purchases of Goods



Are there sufficient funds in the budget for the purchase?



Is the purchase allowable per District policies?



If its grant funded, how does the purchase tie to the program?



Is the purchase being coded to the correct object code?

What Could Go Wrong?

Purchase is unallowable per District policies

There are insufficient funds in budget to cover the cost of purchase

Purchase did not follow proper purchasing guidelines (bid, quotes, etc.)

Purchase ended up being for personal use

Services were never performed or good were never received

Received less or too many goods than what was purchased

Costs ended up higher than estimated costs on purchase order/requisition

Duplicate invoices resulting in duplicate payment to vendor

Best Practices – Credit Cards

Credit cards should only be used when necessary.

Make sure you understand what can or cannot be purchased with a credit card.

Purchases should still be in accordance with District policies.

Credit cards should always be in a secured location. Never give your card to others to make purchases.

Fraudulent charges should be reported immediately.

Never mix personal and business purchases.

Still need to make sure there is enough in the budget for the transaction.

Original receipts of purchases should be retained and attached to credit card statement.

Timely review and reconciliation of credit card statement.

What Could Go Wrong?

Purchase is unallowable per District policies

There are insufficient funds in budget to cover the cost of purchase

Purchase did not follow proper purchasing guidelines (bid, quotes, etc.)

Purchase ended up being for personal use

Credit card not in a secured location could result in theft or fraud

Lack of receipts can result in misunderstanding of purchase

Fraudulent charges go unaddressed

The Role of Internal Controls in the Audit



Auditors review internal controls to understand how the District prevents errors, fraud, and mistakes and how reliable the financial information is.

Auditors perform procedures over the internal controls to assess risk and determine relevant audit procedures.

Examples of Audit Procedures

Interview staff

Observe

Review policies
and procedures

Review
documentation

Walk through a
transaction from
start to finish

Common Findings

Scenario #1

Deficiency

- During the audit, it was noted that reviews were not taking place over the bank reconciliations. These reconciliations were not reviewed since the accounting manager resigned which was 3 months before year end. The reconciliations were accurately performed just not reviewed.

Finding/Recommendation

- Communicated to management and the board in writing with a recommendation.

Scenario #2

Deficiency

- Auditor was auditing contact hours. There were discrepancies for 25 out of the 34 courses tested. Management reviewed discrepancies and communicated with the audit team that there were scheduling errors and data entry errors (including holidays as attendance days). This resulted in a net 1.25 FTES overreported by the District.

Finding/Recommendation

- A finding included in the audit report.
- Reported as a significant deficiency in noncompliance.
- As this is included in the audit report, this information is provided to the board as well as the Chancellor's Office, granting agencies, and the ACCJC.
- Can impact SCFF funding.

Scenario #3

Deficiency

- There were turnover during year end closing. As a result, several audit adjustments were identified by the auditors.

Finding/Recommendation

- A finding included in the audit report.
- Reported as a material weakness in internal control over financial reporting.
- As this is included in the audit report, this information is provided to the board as well as the Chancellor's Office, granting agencies, and the ACCJC.
- Can impact future grants, bond ratings, accreditation.

Scenario #4

Deficiency

- The audit team had selected CTE as a federal program to audit during the year. Time and effort reporting was requested for a sample of employees charged to the program. The reporting was not performed until the week of audit, which was several months after year end.

Finding/Recommendation

- A finding included in the audit report.
- Reported as a material weakness in internal control over compliance and material noncompliance.
- Questioned all costs associated with employed charged to program.
- As this is included in the audit report, this information is provided to the board as well as the Chancellor's Office, granting agencies, and the ACCJC.
- Can impact funding of future grants or current grants.

Questions?

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Thank you

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