



CPAs & BUSINESS ADVISORS

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

Management Advisory Council

March 14, 2023



AUDIT OVERVIEW

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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 OVERVIEW

Guidance for audit procedures is provided by

- *Government Auditing Standards* issued by the Comptroller General of the United States,
- *Statements on Auditing Standards* issued by the Auditing Standards Board designated by the American Institute of Certified Public Accountants
- *Contracted District Audit Manual* issued by the California Community Colleges Chancellor's Office
- Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance (2 CFR 200)*





RESPONSIBILITIES OF THE DISTRICT

RESPONSIBILITIES OF THE DISTRICT

- ▶ Establish a system of sound internal controls to ensure compliance with internal policies, fiscal standards and regulatory compliance requirements.
- ▶ Establish a system of monitoring and oversight to ensure internal controls are functioning.
- ▶ Communicate throughout the organization a tone of fiscal responsibility, compliance with laws and regulations and compliance with the established procedures.
- ▶ Communicate with the auditors any known deviations resulting in noncompliance.
- ▶ Communicate with the auditors any known fraud.

RESPONSIBILITIES OF THE DISTRICT



- District is responsible for compliance with established procedures whether or not the Auditors identify the procedure as subject to testing.
- Create an open line of communication throughout the District to ensure compliance:
 - Individuals should report to their Department Head or Dean
 - Department Head or Dean should report to the appropriate Vice President
 - Vice Presidents should report and communicate with the Executive Cabinet and establish internal corrective action plans.
 - Communicate uncorrected deficiencies and new concerns to the Auditors



KEY AUDIT AREAS

1

INTERNAL CONTROLS

Interview key personnel over significant areas of the audit. Sample and test transactions to ensure there are proper controls in place. Communicate with management any deficiencies.

2

FINANCIAL STATEMENTS

Audit significant balances recorded in the Annual Financial & Budget Report (311). Sample and test support to the year end balances to ensure they are reasonably stated.

3

STATE COMPLIANCE

There are specific areas of compliance that are noted in the CDAM. Most compliance areas affect the calculation of FTES or students served for funding from the state.

4

FEDERAL COMPLIANCE

A college is subject to federal regulations, 2 CFR 200 Uniform Guidance, when receiving federal grants. Each grant may have its own specific regulations and requirements.

STATE COMPLIANCE

- **New compliance areas for 22/23:**
 - Section 494 – State Fiscal Recovery Fund Emergency Grants
- **Changes to compliance areas for 22/23:**
 - Section 421 – Salaries of Classroom Instructors (50 Percent Law)
 - Removed COVID-19 expenditure exemption language.
 - Section 424 – Student Centered Funding Formula Base Allocation: FTES
 - Updated language related to Apprenticeship reporting to refer to the NOVA Apprenticeship RSI Report instead of the CCFS-321 Apprenticeship Attendance Report.
 - Section 499 – COVID-19 Response Block Grant Expenditures
 - Removed testing related to the Federal portion and some procedures for the State portion that are no longer applicable.
- **Deletions for 22/23:**
 - None

STAT FISCAL RECOVERY FUND EMERGENCY GRANTS

- The SFRF Emergency Financial Assistance Grants program is \$250 million one-time funds to provide emergency financial assistance grants for low-income students, enrolled at the California community colleges, who have been disproportionately impacted by the COVID-19 public health emergency.
- Districts must create a unique award code for SFRF Emergency grants for MIS reporting.
- Districts have various reporting requirements, including quarterly project and expenditure reports.
- Districts must verify students are eligible to receive the grants per the requirements outlined by the Chancellors Office.

FEDERAL COMPLIANCE

- 2 CFR 200, Uniform Guidance, provides guidance on administrative requirements, cost principles, and audit requirements for federal awards.
- Federal program audits are known as “Single Audit”
- There are two objectives when performing a single audit
 - Controls over compliance
 - Compliance with federal regulations and requirements
- There are two different types of compliance requirements: general and program-specific.
- Internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” [Green Book] issued by the Comptroller of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

FEDERAL COMPLIANCE

- **Student Financial Aid**
 - Provides financial assistance to students based on eligibility requirements
- **Higher Education Emergency Relief Funds (HEERF)**
 - 3 rounds of funding (HEERF I, II, III)
 - Institutional portion and student aid portion are the most common awards received.
 - Multiple rounds of FAQs issued by the US Dept. of Ed. on allowable uses, earmarking, and reporting.
- **State and Local Fiscal Recovery Funds**
 - Also, known as the State Fiscal Recovery Fund Expenditure Grants
 - 2 rounds of funding (March 2021 and July 2022)

QUESTIONS?

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.

THANK YOU

Brandon Harrison, CPA
Partner
bharrison@eidebailly.com
909-466-4410

Ana Krdilyan, CPA
Senior Associate
akrdilyan@eidebailly.com
909-466-4410

Emily Sheldon, CPA
Manager
esheldon@eidebailly.com
909-466-4410



CPAs & BUSINESS ADVISORS



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Business Services

Audit and Compliance Workshop Presentation

Tuesday, March 14, 2023

11:00 a.m. -12:00 p.m.

When Does The Audit Take Place?

Timeline of the 2022-2023 District Audit

- ▶ March 2023 Audit Workshop
- ▶ May 2023 Entrance Conference with Board Member
- ▶ May 22-25, 2023 Interim Audit
- ▶ October 2023 Auditors Virtually on Campus for Final Audit
- ▶ December 2023 Auditors Finalize Audit and District Writes MD&A
- ▶ Dec 31, 2023 Auditor Submit Final Audit to State Chancellor's Office
- ▶ January 2024 Board of Trustees Approves Final Audits

Fiscal Dependency on LA County Office of Education (LACOE)

The District is Fiscally Dependent on LACOE

- ▶ All checks are issued by LACOE
- ▶ Must comply with Title V and Education Code
- ▶ Provides an additional layer of checks and balances to ensure compliance


What Documents Are Reviewed in an Audit?

- ▶ Chart of Accounts
- ▶ Board Policies Related to Financial Activities
- ▶ Written Desk Procedures
- ▶ Quarterly Financial 311-Q Reports
- ▶ Latest Accreditation Report
- ▶ Documents for New Debt Issuances
- ▶ Retiree Actuarial Study
- ▶ Bank Statements
- ▶ Schedule of Capital Leases
- ▶ List of Any Cash Accounts on Campus
- ▶ Cash Receipt Logs
- ▶ List of All Capital Assets and Tracking Log
- ▶ Depreciation Log for All Assets
- ▶ Arbitrage Calculations
- ▶ SEFA and SESA for all Grant Expenditures
- ▶ List of Every Check Processed
- ▶ List of Every Employee Who Paid Into STRS/PERS
- ▶ District Payroll Registers
- ▶ Trial Balances for All Funds
- ▶ Employee Reimbursements
- ▶ Award letters
- ▶ Grant Reports
- ▶ Time and Effort Studies
- ▶ Federal Equipment Inventory
- ▶ Suspension and Debarment Documentation

What Are My Responsibilities?

All **VICE PRESIDENTS, DEANS, AND DIRECTORS** are responsible to **REVIEW AND APPROVE** all documents being generated in their areas and ensure they are accurate and timely and in accordance with all applicable policies and procedures. These include but are not limited to the following:

- Requisitions
- Invoices
- Credit Card Statements
- Contracts
- Furniture/Equipment Requests
- Late Requests Past Deadline
- Equipment Surplus Requests
- Time Sheets
- Hiring Paper Work
- Travel Authorizations

The background of the slide features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side and bottom of the slide, creating a modern, dynamic feel.

Contracts, Procurement & Risk Management

April Marin - Executive Director

Contracts

What Could Go Wrong?



▶ No Contract Prior to Start of Services

- ▶ Work Not Performed as Expected
- ▶ Payment Disputes
- ▶ Services Not Completed On Time
- ▶ No Protection if there is an Accident

▶ Unauthorized Signatory

- ▶ Contract Not Legally Bound
- ▶ Obligation of the Person Signing
- ▶ LACOE Will Not Pay the Vendor

▶ Non-Compliance

- ▶ California Constitution Codes
- ▶ California Education Codes
- ▶ California Public Contract Codes
- ▶ California Government Codes
- ▶ District Policies and Administrative Procedures

▶ Inadequate Technology Product

- ▶ Not Universally Accessible
- ▶ Poor Data Security
- ▶ No Coverage for Data Breach

▶ Not an Independent Contractor

- ▶ Must Meet Certain Requirements
- ▶ Cannot be an Employee
- ▶ Need to Provide Their Own Supplies

▶ Other Risks

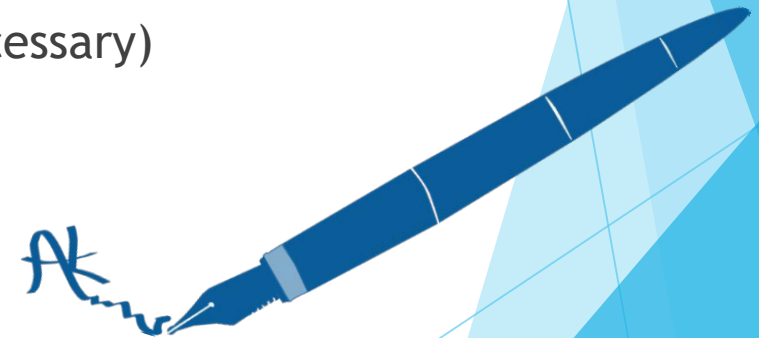
- ▶ Failure to Reporting Retiree to STRS/PERS
- ▶ Unable to Process Payment (Required by LACOE)

Contracts

What Do I Need to Do?

Complete the Request For Contract (RFC) Form to Ensure:

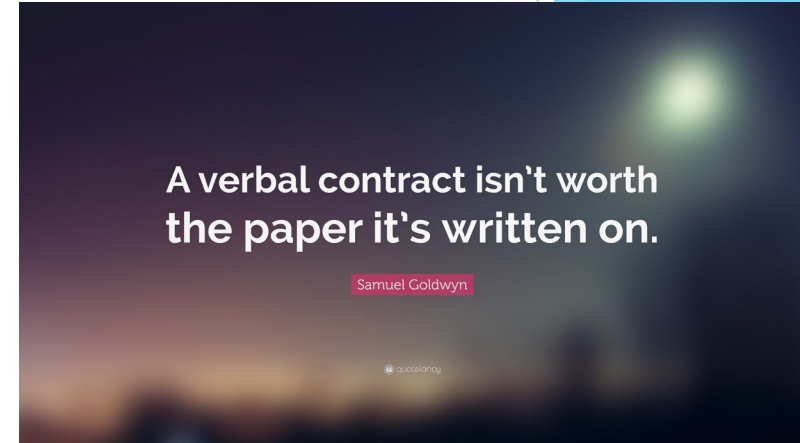
- ▶ Contract is valid and binding
- ▶ Services are performed on-time and as expected
- ▶ Payment is not disputed
- ▶ Internal stakeholders are consulted
- ▶ District is protected by indemnification/insurance if there is an accident
- ▶ Background check, medical clearance are completed (if necessary)
- ▶ Contract is signed by a District-authorized representative
- ▶ Payment is not questioned by LACOE auditors
- ▶ Independent Contractor requirements are met
- ▶ Retiree requirements are met
- ▶ Software can be accessed by all persons
- ▶ District data is protected



Contracts

Supporting Documents to Maintain:

- Vendor Form
- Contract
- Guest Speaker Request Form (if applicable)
- If Software:
 - Voluntary Product Accessibility Template (VPAT)
 - Higher Ed Community Vendor Assessment Toolkit (HECVAT)
- Three Quotes (OnBase)
- Insurance Certificate
- Approved Requisition (Colleague)
- Approved Purchase Order (Colleague & OnBase)
- Approved Invoice (Emailed to Fiscal)



Resources:

- District Policies and Procedures (BP/AP 6330 & 6340)
- Contracts Intranet Webpage
- Department Budget
- Contracts Department Ext. 3476

Purchasing

What Could Go Wrong?



▶ Unauthorized Requisitions

- ▶ Purchase Does Not Support Mission of the District
- ▶ No Approval by Official Approvers
- ▶ Order Placed by Unauthorized Person
- ▶ Sufficient Budget Not Confirmed
- ▶ Funds Not Encumbered by Requisition
- ▶ Becomes Personal Liability of Person who Placed Order

▶ Non-Compliant - Gift of Taxpayer Funds

- ▶ Promotional Giveaway Items
- ▶ Gift Cards
- ▶ Food & Beverage
- ▶ Personal Items (T-Shirts, Tote Bags)
- ▶ Donations/Goodwill Gestures

▶ Over Bid Limit (\$109,300) / Sole Source

- ▶ Fair, Open, Transparent, Competitive Process Not Followed
- ▶ Complaints of Bias Towards Any Particular Vendor
- ▶ Accusations of Wasting Public Funds by Not Soliciting Competitive Bids
- ▶ Vendor Complaint That They Could Meet District's Needs at a Lesser Cost
- ▶ Bid Splitting

Purchasing

What Could Go Wrong?



- ▶ **Unallowable Purchases Including But Not Limited To:**
 - ▶ Alcohol, Gifts, Donations, Personal Items
 - ▶ Signature Stamps
 - ▶ Items Not Received in Same Fiscal Year
 - ▶ Not Beneficial to Grant (if Grant-related)
 - ▶ Not Instruction (if Lottery funds) (ex. M&Ms)
- ▶ **Conflict of Interest**
 - ▶ District Employee, Family/Friend-Owned Business
 - ▶ Appearance of Impropriety
- ▶ **Miscellaneous Issues**
 - ▶ Purchases for Personal Use
 - ▶ Delivery to Home
 - ▶ Perception that Taxpayer Funds are used for Personal Items
 - ▶ Missed Purchasing Deadlines - Expense May Not be Processed
 - ▶ Creating Invoices for Vendors

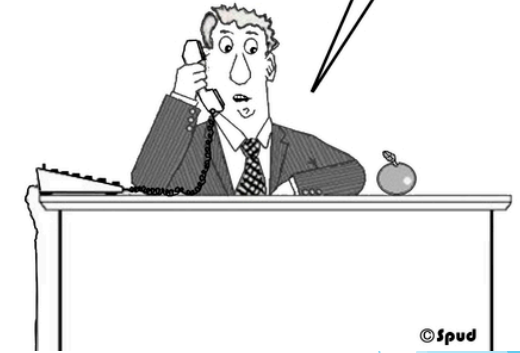
Purchasing

What Do I Need To Do?

▶ Follow the Purchasing Process to Ensure:

- ▶ Reviewers have reviewed the Requisition
- ▶ Approvers have approved the Purchase
- ▶ Budget transfer to ensure sufficient funds
- ▶ Internal stakeholders are consulted
- ▶ Appropriate object code used (Supplies vs. Equipment, Other Expenses)
- ▶ Funds are encumbered when Requisition is submitted
- ▶ Fair & ethical process - Do not purchase from employees, family members, friends
- ▶ Spending of taxpayer funds is tied to the mission of the District
- ▶ Best price, warranty, order tracking, and returns (if necessary)
- ▶ Order is placed by Purchasing
- ▶ Payment is made only after goods have been received

Hello, Procurement? There appears to have been a mix up with my request for a new Computer.



Purchasing

How Do I Remain Compliant?

Follow the Purchasing Process!

Obtain 3
quotes if
over \$5,000



Complete
Vendor Form
and
Draft Contract
(if needed)



Requisition
Entered and
Approved



Purchase
Order Created



Order Placed
by Purchasing



Order
Received



Invoice
Approved and
Sent to Fiscal

Purchasing

Supporting Documents to Maintain:

- Vendor Form
- Contract (if applicable)
- Three Quotes (OnBase)
- Approved Requisition (Colleague)
- Approved Purchase Order (Colleague & OnBase)
- Approved Invoice (Emailed to Fiscal)

Resources:

- Requisition Checklist
- Purchasing Handbook
- Purchasing Intranet Webpage
- District Policies and Procedures (BP/AP 6330 & 6340)
- Department Budget
- Purchasing Department Ext. 3476

**Good Stewardship of Taxpayer
Dollars Begins with You!
Let's Be Accountable!**



Fiscal Services

Balbir Chandi - Director

Cash and Check Management

What Could Go Wrong?

- Theft, fraud and embezzlement from not safeguarding checks and cash
- Revenue recorded in incorrect fiscal year can result in misstatements and audit findings
- Inaccurate revenue accruals can create District liability
- Audit findings
- Loss of future funding opportunities

Resources:

- District Policies and Procedures (BP 6520 AP 6520)
- Departmental cash handling procedures
- Department budget
- General ledger
- Fiscal Services department accounts receivable contact person

What Do I Need To Do?

- Never leave cash unattended
- Never send cash via interoffice mail
- Keep cash in secured lock box or drawer
- Always use dual cash counting
- Keep copies of receipts issued by Fiscal
- Minimize cash handling and access
- Ensure proper segregation of duties
- Provide budget account number, department name, date and submitted cash amount
- Review general ledger posting to confirm appropriate fund, department and revenue/expense abatement account were used



Accounts Payable

What Could Go Wrong?

- Improper approval of invoices resulting in mistaken or fraudulent payments
- Late payments resulting in penalties
- Duplicate payment to vendor
- Incorrect estimates of payments at year-end resulting in liability misstatements
- Audit findings

Resources:

- District Policies and Procedures (BP 6330 AP 6330)
- Department budget
- General ledger posting to appropriate fund, department and expense account
- Fiscal Services department Accounts Payable contact person

What Do I Need To Do?

- Always verify services or goods have been received
- Always match PO to invoice
- Always get authorized signature for approval on invoice for payment
- Never create an invoice for a vendor
- Always provide appropriate supporting documents with approval (signed contract)

All Items Received / Services Rendered
Approved for Payment

Signature

District Credit Cards

What Could Go Wrong?

- Circumventing the Purchasing Process
- Unallowable purchases made by an authorized user
- Unauthorized users making erroneous, fictitious or fraudulent purchases
- Untimely review of credit card statements resulting in late payment fees
- Audit findings

Resources:

- District Procurement Card use Procedure
- Employee Acknowledgement form
- Department budget
- General ledger posting to appropriate fund, department and expense account
- Fiscal Services department US Bank Accounts Payable contact person

What Do I Need To Do?

- Only use District credit card for travel related to District business
- Never give your card to others to make purchases
- Always keep your receipts
- Always perform a timely review of your credit card statements
- Follow Administrative Procedure to ensure authorized purchases
- Provide proper budget account number for each purchase by card holder



District Owned Equipment

What Could Go Wrong?

- Failure to provide proper budget account for acquisitions resulting in misstatements of equipment
- Purchase recorded in incorrect year
- Non-performance of physical inventories could result in theft and fraud
- Non-compliance with District policies and procedures and external regulations
- Audit findings

Resources:

- District policies (BP and AP 6510 6535 6550)
- Department budget
- External regulations (GASB 35)
- Fiscal Services department Asset Inventory contact person
- Purchasing department contacts

What Do I Need To Do?

- Always use the proper general ledger account to follow capitalization policy ($\geq 5,000$)
- Always verify equipment has been received
- Always apply assigned asset tag to equipment ($> \$500$) in visible location
- Never purchase equipment for personal use
- Perform routine physical inventories of District equipment
- Always follow District policies and procedures for acquisitions
- Always submit surplus request form for Disposals



Payroll Services

Roy Castillo - Director

Timesheets & Leave Requests Not Submitted Timely or Submitted with Errors

What Could Go Wrong?

- Overpayment, underpayment, late payment to employee
- Penalties and Interest with CalSTRS / CalPERS
- Inaccurate leave balances
- Vacation leave liability
 - Material misstatement
- Audit finding

Resources:

- Payroll Due Dates Memo
- Intranet Payroll Department Page
- My Canyons
- Statement of Absence Form
- Payroll Department
- Board policy and contract language

What Do I Need To Do?

- Ensure employees submit any and all timesheets leave requests in a timely manner
- Reconcile timesheet and ensure leaves and additional time worked is reported
- Review and approve timesheets and leave requests in a timely manner
- Retain copies of timesheets and leave approvals
- Maintain any other supporting documentation



Approval to Start Work Not Submitted or Untimely

What Could Go Wrong?

- Work performed by non-employee
- Work performed but not authorized
 - FTE change, classification change, overtime
- Unbudgeted expense to the District
- Audit Finding

Resources:

- Human Resources Department
- Intranet Payroll Forms
- Board policy 7110
- Intranet Human Resources Department Page
- Intranet Payroll Department Page

What Do I Need To Do?

- Ensure PRF is created for applicable scenarios
 - Always contact Human Resources Department (HR) for assistance
- Submit documents timely which enables timely application
- Maintain a copy of documents for backup
- Require employee to submit proper request when working beyond their regular assignment
- Ensure Board approval as required before allowing employee to work
 - Get the okay to proceed from HR

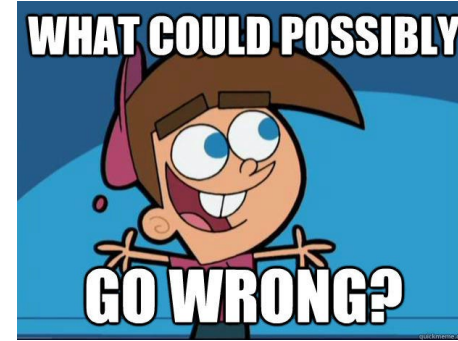
**Paper
Trail**



Grants & Categorical Accounting & Fiscal Compliance

Carolyn Shaw - Director

Grants and Categorical Accounting



What Can Possibly Go Wrong?

- **Grant Expenditures Are Not Compliant Resulting in District or Personal Liability:**
 - Unallowable purchases or salary and benefits (Ex: Gifts, personal items, Charging an employee to a grant who does not support the grant)
 - Unauthorized work (Ex: Hiring process not followed)
 - Unallowable Travel (Ex: Travel that does not support the outcomes of the grant)
 - Expenses outside of awarding period
 - Supplanting (Ex: Using grant funds to pay for a renewal license that was previously supported from another funding source)
 - Gift of taxpayer funds
- **Failure to Comply with District Policy and Procedure Resulting in District or Personal Liability:**
 - Confirming Purchase Orders
 - Travel not authorized
 - Travel Reimbursement/Direct pay reimbursement unreasonable or unjustifiable = reimbursable
 - Contracts not initiated for grant related activities
- **Conflict of Interest Form Not Completed:**
 - Puts current and future grant funding in jeopardy

Grants and Categorical Accounting

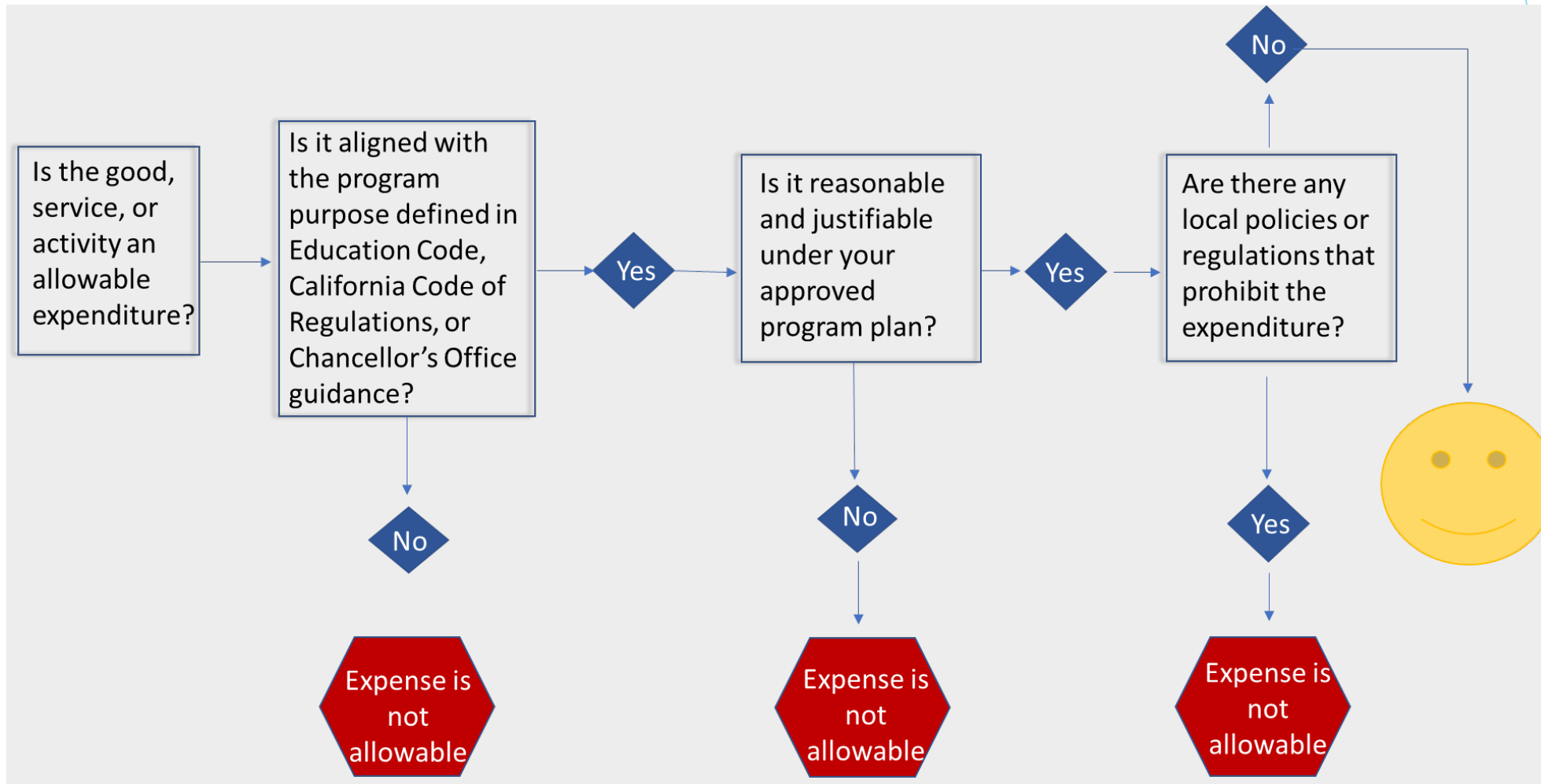
What Do I Need To Do?

- Always ensure expenses are Reasonable, Justifiable, and Allowable (specifically for the grant)
- Always review and ensure purchases support the grant when approving requisitions and purchase orders
- Always review and ensure personnel worked for grant when completing and approving hiring forms
- Always review and ensure travel is necessary to the grant outcomes when completing and approving travel forms
- Ensure regular monitoring of expenses for grant compliance through ongoing Colleague review
- When approving expenditures, review prior years to identify where items were purchased (Supplanting)
- Review and understand District Policy and Grant Guidelines
- Review and understand Legal Terms and Conditions of your grant
- Review and understand OMB Circular for grant guidelines
- Review Grant award letter
- Complete and submit Statement of Financial Interest form



Grants and Categorical Accounting

Expenditure Decision Tree



Reasonable and Justifiable

- All expenditures should be reasonable and justifiable
 - “Reasonable” means expenditures are prudent and every effort is made to utilize funds efficiently
 - “Justifiable” means expenditures are consistent with goals and activities related to your specific grant
- Colleges encouraged to develop policies/procedures to document and justify program expenditures



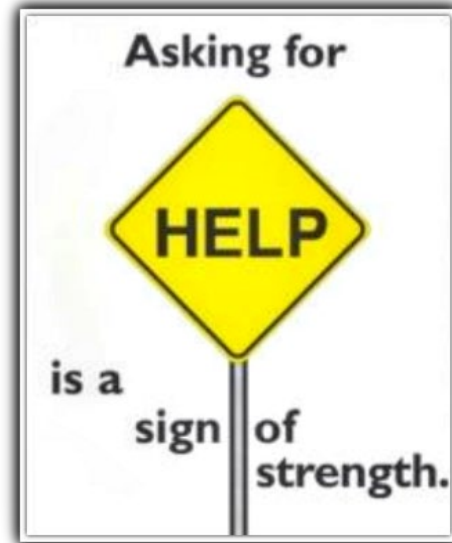
Supplanting

Funds spent on these programs should supplement, not replace, general or state categorical (restricted) district funds expended on similar program activities prior to the availability of program funding. This restriction applies to categorical programs and any other federal, state, and county programs.



Grants and Categorical Accounting

Resources:



- District Policies and Procedures (BP 6330 AP 6330, BP 3280 AP 3280, BP 3854 AP 3854, BP 6340 AP6340)
- Code of Federal Regulations Title 2, Title 34
- Awarding agency Legal Terms and Conditions
- Grant budget
- Grant and Categorical Acct Office Ext. 3248