

Business Services
BOT Orientation Presentation - Summary
January 31, 2024

Q: What are the major areas for which Business Services is responsible?

A: Contracts/Procurements/Risk Management
Fiscal Services: Accounts Receivable, Accounts Payable, Construction Accounting,
Financial Aid Disbursements, State Reporting, Annual Audit and more....
Grant and Categorical Compliance and Accounting
Payroll
Budget Development
Board Items
Policies and Procedures
Foundation Accounting
Food Services and Bookstore

Q: What is the timing of the Budget Development Process?

A: October - March – Program Review Trainings

- Entry by Level 1 (Dept Chairs/Directors), Level 2 (Dean/Director), and Level 3 (Executive Cabinet) participants.
- April – Presentation of Budget Requests from Program Review to PAC-B
- June and September – Tentative and Adopted Budgets presented to the Board of Trustees
Throughout the Year – Budget Management and Budget Transfers

Q: How many Funds does the District Have and what are they for?

A: The District has 21 Funds for many different uses including Unrestricted Funds (11), Restricted Funds (12), Bond Interest/Redemption Fund (21), Debt Service (29), Child Development Center (35), Facilities Funds/Go Bonds (41, 43, 44, 45, 47, 49), Enterprise Funds PAC/Contract Ed (58,59), STRS/PERS Fund (68), Retiree H&W (69), Student Rep Fee (72), Financial Aid (74), Scholarship Pass Through (75)

Q: How can you tell which area an expense is for?

A: The Location code in the GL (the last 4 digits) will tell you what area of the college the expense is for.

Q: What regulations govern Community Colleges?

A: Community Colleges must follow Education Code, Government Code, Penal Code, Title V, and District Policies and Procedures.

Q: What External and Internal controls govern District Business?

A: There are many external entities that provide oversight for the District including LACOE, Federal and State government, IRS, STRS/PERS, State Chancellor’s Office, Accreditation Commission. The District also implements segregation of duties for certain processes in order to maintain controls.

Q: Is the District fiscally independent or is it dependent on another agency?

A: The District is fiscally dependent on LACOE (LA County Office of Education) which means LACOE provides additional oversight on all fiscal processes including processing accounts payable and payroll checks, verifying contracts are in place when required, issuing W-2s and 1099s, making STRS/PERS pension payments and much more. All districts began as fiscally dependent on LACOE unless they applied to be independent, so we have always been fiscally dependent on LACOE.

Q: How many contracts and purchase orders are processed by the District each year?

A: In the 2023 calendar year (January – December):

- The District processed **844 agreements** and **3,986 purchase orders**.
- The total dollar amount of purchase orders processed was **\$49,123,655**.

Q: How does the Procurement department protect District resources?

A: Yes; The Procurement department:

- Establishes Clear Procurement Policies
- Educates & Trains Employees
- Centralizes Purchasing to Prevent Unauthorized Purchases
- Automates Processes
- Facilitates Requests for Quotes/Bids/Proposals
- Requires Use of Negotiated Contracts
- Requests Discounts from Vendors / Volume Discounts / Free Shipping / Rebates / Warranties
- Develops Contract Language that Protects the District
- Reviews All Purchase Requests

Q: Are there laws that the Procurement department must follow?

A: Yes. The District is required to follow California Constitution Codes, Public Contract Codes, and Education Codes. These laws require all public entities, including the District, to make sure they are getting the best value for their purchases and not wasting public funds. They require competitive bidding for most purchases, which: invites competition; guards against fraud, corruption, favoritism, and extravagance; supplies the best work for the lowest price practicable, and protects taxpayers.

Q: What is the procurement process?

A: For goods under the bid limit (\$114,500), initiators take the following steps:

- Initiators review funding availability, budget, and approved vendor list in Purchasing Handbook.
- Initiators contact vendors and obtain 3 quotes.
- Initiators submit a Requisition in Colleague and upload all quotes in OnBase.
- Requisition goes through an approval process and is sent to the Procurement department.
- Procurement department reviews the Requisition and supporting documentation, and then creates a Purchase Order and emails it to the vendor.
- Vendor ships the items and delivers them to the warehouse.
- Warehouse staff deliver the items to the initiator.
- Initiator checks the order and ensures it is complete.
- Vendor sends invoice and initiator signs it, confirming all items were received in good order, and then emails it to the Fiscal Services department to pay the invoice.

Q: When is a formal bid required?

A: A formal bid is required when the cost of goods and services will exceed the annual bid threshold (\$114,500). It is illegal to split bids into numerous smaller purchases to avoid the bidding requirement.

Q: Are there different bidding requirements for public works projects?

A: Yes, public works projects have different bid thresholds:

- Over \$60,000 – Three informal bids are required
- Over \$200,000 – Formal bid required

Q: Are there any services or goods that do not go through the bid process?

A: Yes, there are legal exceptions to the bid process and include the following types of purchases:

- Special Services
- Educational Materials
- Surplus Federal Property
- “Public Policy” – competitive bidding does not produce an advantage
- **Piggybackable Contracts**

Q: What is a Piggybackable contract?

A: A piggybackable contract is a contract where another public entity has already performed a formal bid and the District may “piggyback” onto the bid and make purchases without going out to bid themselves.

Q: Are there any items that the District is not allowed to purchase?

A: Yes. Some examples of unallowable purchases include:

- Goods/services that have an illegal purpose
- Alcoholic beverages (unless they are for an instructional program)
- Items that could be considered gifts, including donations or contributions
- Flowers for birthdays, condolences, gratitude, congratulations, etc.
- Food or beverages for routine staff meetings
- Any goods or services for the personal benefits of employees

Q: How many quotes must employees obtain?

A: For purchases up to \$5,000, employees should perform due diligence to obtain at least 3 “verbal” quotes by calling vendors, reviewing catalogs, or doing online research. For purchases from \$5,000 to the bid limit, employees must obtain 3 written quotes. Purchases over the bid limit may require a formal bid process.

Q: Who else is involved in the procurement process?

A: The Procurement department may review purchases with various departments such as Facilities, PIO, Grants Accounting, and IT. They may also need to review purchases with attorneys, the insurance administrator, LACOE, and the auditors.

Q: Who places orders with vendors?

A: The Procurement department is the only department authorized by the Board of Trustees to place orders with vendors and obligate District funds on behalf of the District.

Q: What measures beyond the external auditor are taken to ensure that expenditures are fiscally compliant?

A: LACOE provides oversight by requiring backup documentation, based on the type of expense.

- Fiscal Services AP staff have a checklist of internal controls to verify accuracy and completion of service
- Non-Capital Expenditures are subject to daily, random audit check by the county, and all documentation must be provided before a check is released

Q: What other items does LACOE require for Accounts Payable before issuing a check?

A: LACOE reviews contracts that are placed on “Piggyback Contracts”, which allow the district to forego the bidding process

- LACOE confirms that any labor within the piggyback is not subject to Capital Expenditure requirements
- LACOE verifies that all items are board approved and comply with District policy

Q: Are Construction/Capital Expenditure payments subject to increased audit requirements?

A: Yes, these payments have varying bid limits and require extensive documentation for release of payment.

Q: How extensive is the external audit?

A: The external audit is almost a year-long process, and reviews thousands of documents

Q: What documents are reviewed by our external audit firm?

A: Thousands of documents including the General Ledger, all invoices, pay records, financial aid records and many more.

Q: What is the timeline for selecting an external auditor

A: An RFP was released on January 24th and proposals are due February 23rd. The next week after that the District will evaluate, interview, and select an audit firm and bring a contract to the Board by March 13th.

Q: Who is on the Audit Selection Committee and what criteria are evaluated.

A: The selection committee is made up of the Chancellor, BOT President, District Staff, and the Chairs of the GO Bond and Foundation Audit Committees. They will evaluate firms based on different criteria such as qualifications, experience, ability to perform and cost.

Q: How have grants and categoricals increased

A: Grants have increased from about \$5 M in 2003-2004 to over \$65 M in 2023-2024

Q: What are the major duties of the Grant and Categorical office

- Understanding the Terms and Conditions of a Grant
- Producing Reports to Funding Agencies – *Quarterly & Annual*
- Allocating Budgets in Colleague – *Based on Grant Agreement*
- Creating Contract Agreements – *Work with Contracts Department*
- Monitoring of All Grant Expenditures – *Requires Grant Director Approval 3rd Level*
- Coordinating Fiscal Close Processing in June
- Ensure Proper Grant Closure at End of Budget and Project
- Coordinating Proposal Budgets
- Grant Implementation Meetings – *Includes Facilities, HR, Budget, Curriculum, Fiscal Contracts, Procurement*

Q: What are additional federal the rules for a grant

- A: Federal
 - Federal Time Certification: Time and Effort Study
 - Debarment Language: Check vendor on Excluded Parties List System (EPLS) for Qualification to Participate on Federal Funded Projects
 - EPLS File: Maintain for Auditor Review
 - Equipment/Travel: Must be American Made or American Carrier
 - Retention of Records: Varies -up to 5 years after the final year of award

Q: What kind of reporting is required for grants

- A: Reports to Funding Agency
- Coordinate Reporting Due Dates, I.E., Quarterly, Annual And Final
- Input And Report Financial Data
- Coordinate Matching Fund/Cost Sharing Reporting, If Any
- Thirty Days To Submit Reports After End Of Quarter
- Invoice Processing For State Grants And Cost Reimbursement Grants
- Fiscal Close Process
- Fiscal Close – June 30th – May Have Cross Over If Grant Ends After 6/30
- Ensure That All Expenditures Occurring By June 30th Are Recorded In Colleague
- Ensure That All Revenue Received By June 30th Are Recorded In Colleague
- Coordinate Any Required Accruals For Expenditure And Revenue
- Coordinate The Posting Of Indirect Cost Charges To All Applicable Grants
- Grant Closure at End of Budget and Project Periods
- Ensure That All Applicable Expenses Are Recorded In Datatel By Project End Date
- Prepare Financial Data For Fiscal Reporting

Q: What are the internal and external controls for grants

- Minimum of 2 people review each expense from the grant office
- Daily check run review
- Debarment and Suspension audit
- Time and Effort Reporting
- Examples of Grant specific Agencies that review reports
 - DOE: Department of Education
 - NSF: National Science Foundation
 - DPSS: Department of Public Social Services
 - LBCCD: Long Beach City College (SBDC is a subrecipient)
 - State Chancellor's Office
- Guidelines
 - Code of Federal regulations
 - <https://www.ecfr.gov/current/title-2>
 - Proposal and Award Policies and Procedures
 - https://www.nsf.gov/publications/pub_summ.jsp?ods_key=papp
 - District

Q: What are the internal controls that Payroll uses to ensure payroll is accurate?

A: Payroll staff ensure regulatory and procedural compliance with board policies, collective bargaining agreements, education code, etc.

- User access forms for authorized payroll staff are sent to LACOE where they review the person to be set up and ensure that they are being given appropriate access.
- Segregation of duties between HR and Payroll is a major internal control that ensures the person who is able to create an employee record is not able to process a payment for that employee.
- The opposite is also true in that payroll department personnel cannot establish employee records in the Human Resources system.
- Timesheets certify that employees have submitted the time that they worked and supervisors to certify and approve the time in order for payroll to process payments to the employees.
- Payroll reconciles transactions by reviewing the source document received to ensure there was no key punch error on the person, position, hours worked, etc. and also reconciles the payroll's processed on a quarterly basis to ensure the payments are in balance and can be reported to the regulatory agencies.

Q: What external controls are in place to ensure payroll is in compliance with outside agency regulations?

A: External agencies have established controls and include the IRS, Social Security Administration, California EDD, CalSTRS and CalPERS. Payroll also reports statistical earnings and benefits data to agencies like the State Controller's Office and Transparent California.

- Quarterly 941s are submitted to the IRS to report employee wages and taxes that must balance to all the W-2s issued by the employer to individual employees.
- The CA EDD has a similar process using the DE-9 form for tax withholdings and DE-9423 for State Unemployment.
- The CalPERS or CalSTRS pension system receive information on employees based on coding to ensure the proper retirement deduction is withheld and submitted to the respective pension plan.
- These payments are submitted through LACOE to the respective agencies. Employers can work with LACOE or directly with the respective agency at times to address any issues that may need attention.
- The State Controller's Office receives detailed statistical earnings and benefits data for every employee
- Public Records Act data is requested of HR and Payroll and this same data is also shared with Transparent California in a similar format that is posted on a website where this data can be viewed by anyone.