

LOS ANGELES COUNTY OFFICE OF EDUCATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

November 16, 2015

LOS ANGELES COUNTY OFFICE OF EDUCATION
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	
OBJECTIVES	1
SCOPE	2
BACKGROUND INFORMATION	3
PROCEDURES PERFORMED	4
CONCLUSION	5
EXHIBIT:	
Exhibit 1 – Fiscal Independence Checklist	E-1



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Patricia Smith
Executive Director, Business and Finance
Los Angeles County Office of Education
9300 Imperial Hwy
Downey, CA 90242

Re: Antelope Valley Community College District: Independent Accountants' Report on Agreed-Upon Procedures Applied to Management and Accounting Controls for Fiscal Independence

We have performed the procedures which were agreed to by the Antelope Valley Community College District (the District) and the Los Angeles County Office of Education for a review of the Antelope Valley Community College District's Management and Accounting Controls as part of the District's application process to obtain Fiscal Independence status. Antelope Valley Community College District management is responsible for the District's accounting records. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose. The attached report (Exhibit 1 – Fiscal Independence Checklist) details our procedures and results.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the District's accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention. These matters would have been reported to you.

This report is intended solely for use by the Antelope Valley Community College District and the Los Angeles County Office of Education, and should not be used by anyone who has not agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

A handwritten signature in black ink that reads 'Vicenti, Lloyd & Stutzman LLP'.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2015

LOS ANGELES COUNTY OFFICE OF EDUCATION
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

OBJECTIVES

The objectives of the procedures listed on page 4 were to determine the effectiveness and efficiency of the Antelope Valley Community College District's (the District) financial management and accounting controls for obtaining Fiscal Independence status. Specific functional areas have been outlined by the California Community Colleges Chancellor's Office checklist for fiscal independence.

Standard 1 – Adequate Fund Balances

The District has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal years.

Standard 2 – Statute and Governing Board

The District makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.

Standard 3 – Adequate Internal Controls

The staff of the accounting, budgeting, contracts, management information system, internal audits, personnel, and procurement departments are adequate in numbers and skill level to conduct administrative programs independent of detailed review by the county office of education and to provide an internal audit function that assures adequate internal controls.

Standard 4 – Legality and Propriety of Transactions

The staff of the accounting, budgeting, contracts management information systems, internal audits, personnel, and procurement departments exercise independent judgment to assure the legality and propriety of transactions.

LOS ANGELES COUNTY OFFICE OF EDUCATION
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

SCOPE

At the request of the Los Angeles County Office of Education, the scope of our procedures was primarily limited to an observation of processes and documentation related to the 2014-2015 fiscal year. For the objectives noted above, we interviewed District personnel and observed financial systems' processes; including reviewing updated internal controls, operating procedures, and reviewing the prior five years' audited financial reports, and Annual Financial and Budget Reports (CCFS-311).

At the time of our review, the District was on the financial software system called Banner. If the approval of the District's Fiscal Independence is granted by the Los Angeles County Office of Education on or before January 1, 2016, the District will begin to issue its own commercial warrants effective July 1, 2016. The District has developed procedures and controls over the processing of commercial warrants.

LOS ANGELES COUNTY OFFICE OF EDUCATION
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

BACKGROUND INFORMATION

The District has initiated the process for becoming fiscally independent from the Los Angeles County Office of Education (the County) in accordance with California Education Code 85266.5. As such, it must demonstrate to the County that its financial management and accounting controls are capable of functioning without County oversight. Per California Education Code, a survey of the District's accounting controls is to be performed by an independent certified public accountant in accordance with standards prescribed by the County Superintendent of Schools (Exhibit 1 – Fiscal Independence Checklist). Upon a determination that the District has developed adequate accounting controls for this endeavor, a decision to grant or deny fiscal independence will be made. If an approval is granted, the District will prepare for fiscal independence status.

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE**

PROCEDURES PERFORMED

Specific procedures applied to the District's financial management and accounting controls were performed as outlined in the California Community Colleges Chancellor's Office checklist.

General Procedures:

- Interviewed key District personnel to determine background information related to operations.
- Performed walkthrough of key controls.

Internal Control Specific Procedures:

The Internal Control procedures include the functional areas of Purchasing, Disbursements, Cash Receipts, Payroll, and Data Processing. The following procedures were performed:

- Review of pertinent policies and procedures and other relevant documentation.
- Read designated Board Policies for identifying and defining the duties of Disbursing Officers, Board Members, and other relevant Board Policies to address the requirements of Fiscal Independence.
- Read designated Administrative Policies regarding how Board Policies will be implemented.
- Collection and analysis of data as it relates to the scope of the review.
- Review and walkthrough of selected transactional details and supporting documents.
- Assessment of the effectiveness and integrity of processes.
- Observe and document the District's disbursement controls, payroll, as well as purchasing and data processing controls.
- Observe and document the District's controls over cash receipts.
- Observe and document the District's financial budget and budget controls.
- Read the District's Fiscal Independence Implementation Plan as to adequacy and reasonableness of meeting established dates.

LOS ANGELES COUNTY OFFICE OF EDUCATION
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES
APPLIED TO MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL
INDEPENDENCE

CONCLUSION

Based upon completion of our procedures, our conclusion is that the District has established systems and procedures to achieve fiscal independence. Given the observations performed at this time, there are no apparent impediments to the District's continued endeavor towards fiscal independence.

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

FISCAL INDEPENDENCE CHECKLIST

1. Adequate Fund Balances	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
The district has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal year.			
a) For the past five fiscal years, the District has maintained fund balances in its unrestricted general fund at or above the minimum established by the California Community Colleges Chancellor's Office.	✓		
Comment:	Over the past five years, the District has maintained a reserve that meets the minimum requirement as recommended by the California Community Colleges Chancellor's Office.		
b) The district has avoided deficit fund balances in its funds for the past five fiscal years.	✓		
Comment:	Based on our review of the CCFS-311 reports for fiscal years 2010-11 through 2014-15 the District has avoided deficit fund balances.		
c) Appropriation balances are checked before orders are forwarded.	✓		
d) Procedures are established to assure sufficient funds are in the County treasury before issuing/requesting warrants.	✓		

LOS ANGELES COUNTY OFFICE OF EDUCATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE

FISCAL INDEPENDENCE CHECKLIST

1. Adequate Fund Balances..... (continued)

	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
e) Provision is made early in the fiscal year to assure adequate cash to operate the District until receipt of local taxes and State subventions.	<u> ✓ </u>	<u> </u>	<u> </u>

Comment:

The District's budget is developed with timing in revenues from taxes and apportionment in mind. The District has liquid cash in bank accounts and in the County treasury investment account. Cash flows are reviewed after each payroll run and projections are revised monthly.

f) Purchase orders are verified for availability of funds within budget limits authorized for division, campus or program.	<u> ✓ </u>	<u> </u>	<u> </u>
--	----------------------	-------------------	-------------------

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

FISCAL INDEPENDENCE CHECKLIST

2. Statute and Governing Board

The District makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the Governing Board.

<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
---------------------------------	--------------------------	-------------------

- a) All funds are established in accordance with applicable statutory requirements in the Education Code, the Government Code, and the California Code of Regulations (Title 5).
- b) The Board has adopted a conflict of interest policy consistent with the Government Code, beginning at Section 87300, and has ensured wide distribution to all staff and contractors.

_____ ✓ _____	_____	_____
_____	_____ ✓ _____	_____

Comment:

The District maintains a conflict of interest policy and is available on the District's website. However there is no evidence that this policy is ensured to be distributed to all staff.

District Response:

The District will propose a policy to the Board of Trustees to include the policy in their hiring packet to be signed by the employee. In addition, this proposed policy will include an annual requirement for each employee to read and sign the conflict of interest policy on their employee portal prior to obtaining access to their computer system.

- c) Payments, loans, and advances to employees from not deposited receipts are prohibited.
- d) State regulations on adoption of the District budget are followed.
- e) The accounting system is established and maintained in accordance with the Community Colleges Budget and Accounting Manual (BAM).
- f) Debt records are centrally maintained.
- g) If the District maintains a revolving fund, it is established in accordance with the BAM/

_____ ✓ _____	_____	_____
_____ ✓ _____	_____	_____
_____ ✓ _____	_____	_____
_____ ✓ _____	_____	_____
_____ ✓ _____	_____	_____

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

FISCAL INDEPENDENCE CHECKLIST

2. Statute and Governing Board.....(continued)	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
h) Controls are established over advances to and receivables from employees.	✓		
i) The local Board authorizes all sales of real or major personal property.	✓		
j) The required notice is given before major sale of equipment or real estate.	✓		
k) Sales of District property to Board members and District employees are prohibited (Government Code, Section 1090).			✓

Comment:

The District maintains a policy concerning disposal of District property, however this policy does not specifically prohibit the sale of District property to Board members or District employees.

District Response:

The District will propose a revision to various policies to the Board of Trustees to include specific language prohibiting the sale of District property to Board members or District employees. District management anticipates these revisions to be addressed at the Board of Trustees meeting to be held in March, 2016.

l) Each purchase order is verified for legality before issuance.	✓		
m) Procedures are in place to preclude unallowable costs and expenditures on State and Federal grants.	✓		
n) Additional authorizations and signatures are required on major purchases.	✓		
o) Bids are solicited as required by Public Contract Code, Section 20651.	✓		

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

FISCAL INDEPENDENCE CHECKLIST

2. Statute and Governing Board.....(continued)	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
p) Safeguards are in place to prevent conflict of interest by Board members and employees.	_____	_____ ✓ _____	_____

Comment:

District has exemplary segregation of duties and a well thought out Fiscal Independence Implementation Plan, it would further strengthen the District's internal control to include AP 2710 as part of their hiring packet (see comment for 2.b. above) and revising AP 6550, Disposal of Property (see comment for 2.k. above).

q) Controls are established to assure that payroll costs charged to grants are in compliance with agreements.	_____ ✓ _____	_____	_____
r) The Board has adopted a conflict of interest policy consistent with the Government Code and has ensured wide distribution to all staff and contractors.	_____	_____ ✓ _____	_____

Comment:

See comment and District response for 2.b. above.

s) The District has a written policy that clearly prohibits use of the revenues or expenditures of the student body funds for the District's operations.	_____	_____	_____ ✓ _____
--	-------	-------	---------------

Comment:

The District has not established a written policy or procedure that specifically prohibits the use of revenues or expenditures of the student body funds for the District's operations. No evidence was found indicating that student body funds were used for the Districts operations.

District Response:

Although there is not an established written policy or procedure, student body funds are not permitted to be used for the District's operations as a matter of popular practice. District management will propose a written policy specifically prohibiting the use of student body funds for the District's operations. District management anticipates this policy to be addressed at the Board of Trustees meeting to be held in March, 2016.

LOS ANGELES COUNTY OFFICE OF EDUCATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE

FISCAL INDEPENDENCE CHECKLIST

2.	Statute and Governing Board.....(continued)	Yes/Met Consistently	Met Partially	No/Not Met
	t) All internal and external audit exceptions and recommendations are promptly reported to the campus president, District superintendent, and Board.	_____	_____ ✓ _____	_____

Comment:

All external audit exceptions and recommendations are reported to top management and are promptly resolved. The District does not currently have a position responsible for internal audit.

District Response:

District management has requested approval to establish a District position for an independent internal audit function to determine compliance with policies, laws, regulations, and accounting procedures.

- u) All internal and external audit recommendations have been reviewed, acted upon, and resolved in a timely manner.

_____ ✓ _____

Comment:

See comment and District response for 2.t. above.

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

FISCAL INDEPENDENCE CHECKLIST

3. Adequate Internal Controls

The staff of the accounting, budgeting, contracts, management information systems, internal audits, personnel, and procurement departments are adequate in numbers and skill level to conduct administrative programs independent of detailed review by the Los Angeles County Office of Education and to provide an internal audit function that ensures adequate internal controls.

Yes/Met Consistently	Met Partially	No/Not Met
---------------------------------	--------------------------	-------------------

- a) A plan of organization that provides segregation of duties appropriate for the safeguarding of District's assets.
- b) Procedures are established to monitor compliance with:
 - o Financial reporting requirements.
 - o Use of funds and other grant terms.
 - o Timely billing of amounts due under grants
- c) For entitlements and apportionments, comparisons are made of the amount anticipated and the amount received. Variances are investigated and resolved.
- d) A responsible official reviews statistical and data reports before they are submitted.
- e) Controls are in place to ensure adequate follow-up on unmatched invoices, purchase orders, and requisitions.
- f) Purchases have been centralized in the business office under an employee designated by the Board.

✓		
✓		
✓		
✓		
✓		
✓		
✓		

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

3. Adequate Internal Controls.....(continued)	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
g) The person responsible for signing warrants is bonded in an amount fixed by the Governing Board.	_____	_____✓_____	_____
Comment:	The Board of Trustees on its November 9, 2015 meeting approved resolution 15/16-9 designating a disbursing officer and authorization of District management to execute an official bond in a fixed amount of \$5,000,000 upon the successful approval of fiscal independence.		
h) The District maintains security (control) over payroll and commercial warrants at all times in the process (i.e. from raw stock to mailing of warrants including security over signature plates and/or software embedded signatures).	_____✓_____	_____	_____
i) The IRS 1099 requirements are met.	_____✓_____	_____	_____
j) The procedures are adequate for placing personnel on the proper salary schedule.	_____✓_____	_____	_____
k) The personnel information, current and historical, is available to meet all reasonable District requirements.	_____✓_____	_____	_____
l) For open, on-line systems of procurement and budget reports, adequate controls of access to files and security of data are maintained.	_____✓_____	_____	_____
m) There are adequate controls over the distribution of reports.	_____✓_____	_____	_____
n) There is adequate follow-up on unmatched transactions between master record and transaction records.	_____✓_____	_____	_____
o) Controls over master files are adequate.	_____✓_____	_____	_____
p) Copies of important programs, records, and files are kept in separate fireproof storage.	_____✓_____	_____	_____
q) Documentation and record keeping practices are adequate to support transactions (for audit trail purposes).	_____✓_____	_____	_____
r) Safeguards are adequate to prevent unauthorized entry of program changes and/or data.	_____✓_____	_____	_____

LOS ANGELES COUNTY OFFICE OF EDUCATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE

3.	Adequate Internal Controls.....(continued)	Yes/Met	Met	
		Consistently	Partially	No/Not Met
	s) There are systems and procedure manuals for the administrative activities of the District.	✓		
	t) The District has adequate business continuation plan to ensure that the District could continue to process payments in case of a disaster that destroys the District's computer facilities.	✓		
	u) The external auditors report on the lack of or weak internal control procedures, making recommendations to management.	✓		

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

4. Legality and Propriety of Transactions:

The staff of the accounting, budgeting, contracts, internal audits, management information systems, personnel, and procurement departments exercise independent judgment to ensure the legality and propriety of transactions.

- a) The accounting office staff exercise independent judgment on the legality and propriety of accounting transactions.
- b) The fiscal officer exercises independent judgment on the legality and propriety of accounting transactions.
- c) The person signing warrants exercises independent judgment on the legality and propriety of all District expenditures.
- d) The purchasing agent exercises independent judgment in the legality and propriety of purchases made on behalf of the District.
- e) The District has a separate independent receiving division to handle receipt of all materials and equipment.
- f) The warrants are audited by someone other than the person responsible for warrant payments to ensure sufficient oversight to support the legality and issuance of warrants.
- g) The custodian of the inventory is independent of the purchasing and receiving departments.
- h) The personnel office exercised independent judgment in assuring the legality and propriety of personnel transactions.
- i) The District performs accurate and timely STRS, PERS, FICA, Worker's Compensation, and Unemployment Insurance reports, as well as Federal/State Withholding Tax reports.
- j) The staff of the management information systems department exercises independent judgment in assuring the legality and propriety of data processing activities.

	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
	✓		
	✓		
	✓		
	✓		
	✓		
	✓		
	✓		
	✓		
	✓		
	✓		

LOS ANGELES COUNTY OFFICE OF EDUCATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED UPON PROCEDURES APPLIED TO
MANAGEMENT AND ACCOUNTING CONTROLS FOR FISCAL INDEPENDENCE**

4. Legality and Propriety of Transactions.....(continued)	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
k) The management information systems department is independent of all operating units it serves.	✓		
l) An independent internal audit function is performed to determine compliance with policies, laws, regulations, and accounting procedures.			✓

Comment:

See comment and District response for 2.t. above.

m) Adequate safeguards have been established to maintain the independence and integrity of the accounting function.	✓		
n) If the District is too small for a separate receiving department, controls are in place to ensure receipt of items before invoice is paid; staff is identified to verify quantity and quality of items received and to match receiving documents against purchase orders.	✓		