



ANTELOPE VALLEY COLLEGE

Fiscal Independence Implementation Plan

October 12, 2015

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Introduction

Antelope Valley Community College District is requesting Fiscal Independence Status in accordance with California Education Code 85266 and 85266.5. The preliminary review, resolution and application to apply for Fiscal Independence effective July 1, 2016 was approved by the Antelope Valley Community College Board of Trustees special meeting held on August 26, 2015.

The implementation plan must demonstrate the sufficient organizational structure, processes and staff to handle the increase in assuming the statutory and legal responsibilities that come with Fiscal Independent Status.

I. Organizational Structure

The Organizational Chart for Business & Auxiliary Services can be found in **Appendix E**. The Organizational Chart for Human Resources and Payroll can be found in **Appendix F**.

Although the payroll department reports to a human resources as opposed to business services, all check disbursements will occur within business services.

II. Disbursing Officer

Per California Education Code 85266, the Disbursing Officer shall issue warrants, using procedures prescribed by the county auditor, on the county treasury for all debts and demands, within categories designated by the county superintendent, against the District when amounts are legally approved. The Governing Board of Trustees authorize expenditures, which the disbursing officer issues warrants. The Disbursing Officer must have a very strong legal knowledge of District expenditures, and must be independent from operational responsibilities which would subject him/her to political influence and create an inherent conflict of interest.

The primary purpose of the independence of the Disbursing Officer is the safeguard of public funds. The Disbursing Officer should report within the administrative hierarchy in such a manner to maintain his/her independence with no conflict of interest and must be allowed to have access to counsel and the authority to follow the advice of counsel.

The Governing Board specifically acknowledges the duties and responsibilities of the Disbursing Officer, the independence of the Disbursing Officer, and the relationship of the Disbursing Officer to operational units and to the Governing Board, so as to clearly identify areas of responsibility and accountability in the Fiscal Independence Implementation Plan. The Governing Board should also adopt a resolution fixing the amount of the fidelity bond coverage of the Disbursing Officer.

The Disbursing Officer has a significant degree of independence in the process of approving and disapproving warrants. Disapproval procedures of the Disbursing Officer should require the responsible unit to correct any deficiency. The Disbursing Officer's decision should be final.

In no instance should the Disbursing Officer process a deficient item, as either *insignificant* or on a *one-time basis*, until the deficiency is corrected. The Disbursing Officer duties and responsibilities can be found in **Appendix A**.

III. **Pre Audit Function**

The District will need to demonstrate the establishment of management and accounting controls necessary for the performance of the commercial warrants pre-audit functions:

a. **Staff to handle the pre-audit process**

The pre-audit is performed by the District prior to submission to the Disbursing Officer.

1. **Business Services**

A Business Services Staff (“auditors”) will be designated to facilitate the pre-audit process. The pre-audit is a two phase process review of commercial warrants & supporting documents performed by the auditors prior to the issuance of a warrant. All required documents will be uploaded to OnBase, our document management software.

2. **Two Phased Pre-Audit Process**

Phase one will consist of the requisition requirements overseen by the Purchasing Department auditors. The Purchasing Department auditors will complete a Requisition Document Checklist denoting which documents are missing or not applicable and includes this with the purchase order package forwarded to Accounts Payable. Phase two documents (i.e., payment documents) will be gathered by the Accounts Payable Department who will complete the Payment Document Checklist. Both checklists will be submitted to the payment auditor along with a Voucher Claim Request Form. The auditor will review documents in OnBase using Disbursing Officer or designee for audit.

Disbursing Officer's designee audits commercial warrants using the *Los Angeles County Office of Education - Commercial Claims Document Checklist* **Appendix B** as a guideline for supporting documentation required to support compliance with education codes, government codes, public contract codes, and audit standards, as they relate to specific types of payments.

The Disbursing Officer or designee audits the payment packages and approves using the Banner online approval process prior to the printing of warrants. The Disbursing Officer or designee will review the Invoice Selection Report by totaling the payment packages. Any warrant not approved will remain in suspense. The use of the word "suspense" signifies that the Disbursing Officer or designee must approve before the system will release and permit printing of the warrants.

The auditor will print either the check register or a download from Banner of approved payments, noting the number & value of the warrants, sign it and submit to the Disbursing Officer for review. The Disbursing Officer will review warrant requests for

adherence to internal controls, legality and appropriateness based on Board policies and District procedures. Upon successful completion of the audit steps & review of the warrant listing, the Disbursing Officer will approve the warrants for printing. Additionally, The Disbursing Officer or designee will forward an encrypted warrant issue file electronically through a designated VPN line to the bank. The listing will be serve as a fraud protection measure and include the warrant number, date, amount, and the name of payee.

To ensure proper separation of duties, the accounting staff, who are not responsible for processing, reviewing, or auditing payments will print the commercial warrants. Accounts Payable will either upload a copy of the warrant to OnBase or file the payment package with check copy alphabetically by vendor name. Commercial warrants will be distributed or mailed by the Payroll department or assigned staff outside the Accounts Payable Department.

b. Payroll Warrant Pre Audit

The District will print and distribute payroll warrants. In order to maintain separation of duties, the Accounting Department will print, fold, and mail the payroll warrants and the direct deposit remittance advices, rather than the Payroll Department. Payroll warrants are counted and compared to the Payroll Register by the District's Disbursing Officer or designee prior to being mailed.

c. Quarterly Internal Warrant Audit

Utilizing the *Los Angeles County Office of Education - Commercial Claims Document Checklist* as a guideline, the Disbursing Officer or designee will audit commercial warrants to ensure compliance with education codes, government codes, public contract codes, and audit standards, as they relate to specific types of payments.

1. Random Audits

A random audit process will identify warrants to be selected for audit. This sampling may be periodically augmented with specific criteria to expand the selection of warrants for audit. Account codes will be audited as directed by the Los Angeles County Superintendent of Schools, and remaining payment packages will be based on judgmental sampling. Selected warrants for audit shall include the approved purchase order/contract, itemized invoice, receiving documentation, Board Approval (if applicable), and/or other supporting documentation.

2. Payment Package Process

The Disbursing Officer or designee audits the payment packages and approves using the Banner online approval process prior to the printing of warrants. The Disbursing Officer or designee does not have access to payroll or commercial warrant processing, which is established through Banner security. The Disbursing Officer or designee will review the Invoice Selection Report by totaling the payment packages. Any warrant not approved will remain in

suspense. The use of the word "suspense" signifies that the Disbursing Officer or designee must approve before the system will release and permit printing of the warrants.

3. **Verification Process**

Disbursing Officer or designee will audit the following to ensure that:

- All required documentation is included in the commercial warrant payment package, depending on the type of expenditure;
- Purchase Order has required approvals signed prior to purchase of material or services; and Materials and/or services have been received and/or completed.

d. **Legality & Appropriateness Review**

Disbursing Officer or designee will review warrant requests for legality and appropriateness based on Board policies and District procedures.

e. **Approval**

Disbursing Officer or designee will review and sign the warrant register upon successful completion of the audit steps and the authorized issued warrants.

f. **Procedural modifications**

Any procedural modifications that would occur between the District and LACOE if fiscal independence is approved will be reviewed by both parties.

IV. **Implementation Plan**

a. **Implementing Responsibilities**

Increased responsibilities to be assumed and implementation plan:

- Fiscal independence is approved by the Superintendent of Public Instruction (SPI) and authorizes a district to issue all of its warrants independent of the county office of education.
- Fiscally independent districts operate their own financial accounting.
- Education Code Section 85266.5
- Allows the SPI to revoke or suspend a district's financial independence status if the district has a qualified or negative certification pursuant to section 85266.5
- Fiscally accountable and fiscally independent school districts must comply with AB1200 and AB2756.

1. Fiscal Independence District Responsibilities

- a. Education Code section 85266.5 establishes a process for a district to become fiscally independent of the county office of education for paying salary and vendor warrants. The status of the district approved under the process described in this code section is commonly called fiscal independence.
- b. With the approval of the SPI, the governing board of a unified school district with an average daily attendance of more than 10,000, may cause to be drawn all warrants against all districts funds in the county treasury, except debt service, to pay the district's expenses.
- c. Once a district is granted fiscal independence, the county office of education is not responsible for producing reports, statement or other data relating to or based on payments of the district's expenses.
- d. Warrant Process
 1. The warrant shall be issued by a person designated as the district auditor or the district disbursing officer for the school district against funds in the county treasury in payment of all claims chargeable against the district.
 2. The claim must have been legally examined, allowed and ordered by the governing board.
 3. The district auditor shall issue warrants against funds in the county treasurer for all debts and demands against the district.
 4. The district's governing board must prescribe the form of the warrants, and the county auditor or county treasurer must approve the form of the warrants.
 5. The district must pay the cost of printing the warrants.
 6. The district is responsible to keep all warrants, vouchers and supporting documents.
- e. Required Reports
 - District shall provide the county superintendent of schools, in the form prescribed by them, with the data necessary to make retirement reports and other reports required by law.
- f. Cost of Fiscal Services

- The county auditor and the county treasurer may charge the districts for the cost of all fiscal services.

g. Bond

1. The person whom a fiscally independent district's governing board authorizes to issue warrants shall execute an official bond in an amount fixed by the governing board.
2. A county superintendent of schools or a county auditor shall not be liable under the terms of the bond or otherwise for any warrant issued by a fiscally independent district.

h. The Approval Process

1. District must obtain approval of the SPI to become fiscally independent of the county office of education.
2. District must file a written application with the county superintendent of schools.
 - a. Upon receipt of the written application, the county superintendent shall cause a survey to be made of the districts accounting controls by an independent certified public accountant (CPA).
 - b. The office of the State Controllers prescribes the standards for the survey of the accounting controls.
 - c. The CPA or public accountant shall report his or her findings and recommendations to the county superintendent, the county auditor and the applicant district.
3. The county superintendent is responsible to forward to the SPI the following:
 - a. The district's application
 - b. His or her other recommendation
 - c. The recommendation of the county auditor
 - d. A report of the survey.
4. The SPI is responsible to approve the application only if they find that the accounting controls are adequate.

- a. If the SPI determines that the controls are inadequate, they shall disapprove the application.
 - b. If the SPI disapproves the application, the SPI and the county superintendent of schools shall state the specific steps that the district must take to receive approval.
5. The district is required to reimburse the county superintendent of schools for all costs incident to the accounting controls survey made pursuant to the district's application.

b. Beginning Fiscal Independence

1. Approval

When approved by the SPI, fiscal independence is effective at the beginning of the fiscal year if the approval was made before the preceding first day in January.

2. Revocation

If at any time the county superintendent of schools determines the district's accounting controls have become inadequate, they may recommend to the SPI that the approval be revoked, to be effective on the first day of the following fiscal year.

c. County Offices Operational Responsibilities After Approval:

1. Periodic Review

Provide a periodic review of the district's financial transactions and internal controls, to fiscally independent districts pursuant to Education Code Section 85237.5.

2. Annual Audit

Provide a regular review and perform audit of the district's financial transactions and internal controls to fiscally independent school districts at any time pursuant to Education Code Section 85237.5

3. Re-evaluation

Re-evaluate the Fiscally Independence status if the district's financial management or accounting controls become inadequate.

4. Advice & Coordination

Advise and coordinate with the district any change in form and format of reports and electronic data interface to be submitted by the district to the County Superintendent of Schools.

5. Determination

May revoke the Fiscal Independence status at any time upon determination that the district's financial or management controls are inadequate.

6. Revocation

If at any time the county superintendent of schools determines the district's accounting controls have become inadequate, they may recommend to the SPI that the district's approval of Fiscal Independence status be revoked, to be effective on the first day of the following fiscal year.

d. Fiscal Services Internal Control Procedures

The District has a detailed Internal Control Matrix in **Appendix G** that details check and balances between fiscal services and payroll functions. This matrix is updated and sent to the District's external auditing firm on an annual basis.

e. Legality Review

Because the legality of disbursements will be shifting from LACOE to the District, ensuring that staff are updated on upcoming changes to regulatory guidelines and the effects on the payroll and vendor disbursements will be essential. The following are just a few organizations and resources that the District is a part of or utilizes to keep abreast of these changes.

- Association of California Community College Administrators (ACCCA)
- Association of Chief Business Officials (ACBO)
- Association of Chief Human Resources Officials (ACHRO)
- California Community College Internal Auditors Association (CCCIA)
- School Services of California, Inc. (SSC)
- Internal Revenue Service (IRS) Webcast Listserve
- Los Angeles County Office of Education (LACOE) bulletins
- Business Officers of Southern California Community Colleges (BOSCCC)
- Southern California Community College Purchasing Association (SCCCPA)
- TS GoAlert Listserve: Travel updates
- California Association of Public Procurement Officials, Inc. (CAPPO)

In accordance with Education Code 85266, the Disbursing Officer will have access to legal counsel and will have the authority to follow the advice from legal counsel.

f. Cash limitations

1. Cash control procedures

Cash transactions will be recorded on a daily basis and a daily cash balance determined before issuing warrants.

Each year, monthly cash flow projections will be made and compared against actual monthly cash expenditures.

The Executive Director of Business Services or designee will review the cash requirement summary and supporting documentation.

2. Cash Clearing Procedures

All cash collected is delivered to the Student Accounts Receivable/Cashier's Office (Student A/R). Student A/R staff verifies cash collected and issues a receipt. Money is stored in the safe until Student A/R staff prepares the deposit and the money is retrieved by armored car services for delivery to the bank. Daily receipts are broken down into currency, check, and coin which is recorded on the deposit slips.

For auxiliary deposits a manual cash receipt is recorded. All entries are in triplicate with one receipt going to the customer, one to the Business Office with a copy of the bank deposit slip, and one stays in the receipt book in the Cashier's Office. The Business Office records the cash receipts beginning and ending numbers on a spreadsheet and verifies all are in sequence.

The Student A/R staff prepares a tape of each day's cash receipts (currency and coin) and runs a separate tape for checks. These validated tape totals are attached to the cash receipt sent to the Business Office. The Business Office records these daily deposits into the appropriate bank account. This is used and verified with the monthly bank reconciliation.

All receipts issued via Banner are assigned a receipt number which is automatically posted in the Banner System.

3. Revolving Cash Procedures

The District's revolving cash fund is used primarily for emergency payments. The revolving fund is reimbursed on a monthly basis or sooner, if needed.

Primary controls ensuring the integrity of the revolving cash fund include:

- Revolving cash fund is reimbursed frequently;
- The bank account is reconciled monthly;
- The reconciliation is conducted by someone other than the staff who prepares the checks;
- Checks are signed only after payee and amount are properly entered;
- Voided checks are mutilated to preclude subsequent use;
- Support documentation is present for all disbursements made from the fund; and
- The supply of blank checks is adequately controlled in a locked safe with limited access.

g. Budget limitations

1. Budget Development and Monitoring

The governing Board will adopt a budget for all funds in accordance with California state statutes and the District's Board Policy 6200 - Budget Preparation, and 6250 - Budget

Management. The budget is sufficiently detailed to provide meaningful comparison with actual transactions. The accounting principles used in the budget preparation are the same as those used in preparing the financial statements. All inter-fund transfers are budgeted. All budget amendments are properly authorized. All personnel budgeted must be included in the position control system in Banner after proper authorization is obtained from the Executive Director of Business Services.

2. Budget Authority Review Procedure

Prior to authorization of expenditures, all requisitions are reviewed in Fiscal Services for verification of account codes and budgetary restraints.

The Banner system has been configured to compare purchase requisitions with department budgets. Unless there are sufficient budgeted funds available, it will not be possible to issue a purchase order without the direct authorization of the District Disbursing Officer or designee. Payments for goods or services that have not been encumbered, budget revisions, and journal entries require monitoring and authorization for budget authority.

The Accounts Payable staff, through use of the Banner system, will verify that funds are available prior to processing a direct-pay invoice or an invoice that exceeds the purchase order amount for payment. The Accounts Payable staff's electronic confirmation on Banner will signify that the budget is sufficient for payment to be made.

The Fiscal Services Manager or designee will review budget transfers for appropriate approval and budget availability prior to entry into the Banner system. An accountant or accounting assistant's initials on the budget action will be evidence of budget availability. Accountants or accounting assistants will return budget actions to the Fiscal Services Manager when they cannot be processed.

The Fiscal Services Manager or designee will contact the person responsible and request corrective action. Fiscal Services Manager or the Accounting & Budgeting Supervisor will review and approve all journal entries. The approval will include verification of budget availability.

The option for the District to initiate and approve budget transfers in the Banner system is available and currently being explored by Business Services. Budget transfers would not be completed unless they are within allowable parameters and all required approvals are obtained. Approvals would include, but not be limited to department heads and the Fiscal Services Manager or designee.

h. Duplicate warrant issuance

Issuance of Duplicate Warrant Procedure

1. Lost Warrants

Account Assistants or Payroll technician staff are notified by employee or vendor that a warrant has been lost, stolen, or destroyed. Staff shall identify the warrant on applicable warrant registers to determine that the warrant was actually issued.

If a warrant has been issued, the Payroll or Accounts Payable staff shall search the file of returned warrants. If the warrant has been cashed, the Payroll or Accounts Payable staff shall make a copy of the warrant, front and back, and send it to the employee or vendor. If the employee disputes that they cashed the warrant, forged warrant procedures must be used.

If the warrant has not been cashed, the Payroll or Accounts Payable staff shall complete the warrant information section of the *Affidavit and Request for Replacement of Lost Warrant*. The employee or vendor must review and sign the affidavit.

Employees and vendors are notified that approved replacement warrants will take a minimum of five (5) to ten (10) working days to process.

After obtaining the signature of the employee or vendor on the Affidavit, the Payroll or Accounts Payable staff will place a stop payment with the online banking system and void the warrant in Banner. The Affidavit and stop payment form are reviewed and approved by the Disbursing Officer or Management level designee.

The Payroll or Accounts Payable staff shall process the duplicate payment referencing the original warrant number and enter the warrant into the Banner system. Non-Payroll or Accounts Payable staff will run the process to print warrants.

The Disbursing Officer or designee reviews the documentation and approves the issuance of the warrant. The forms are returned to Accounts Payable or Payroll for filing.

The Disbursing Officer or Management level designee does not have access to process commercial warrant payments.

2. Damaged Warrants

To process damaged warrants, follow the procedures listed above (a) for lost warrants.

i. Forged or Stolen warrants

If warrant has been forged and cashed, the Accounts Payable or Payroll staff will provide the employee or vendor with a copy of the front and back of the warrant and instruct the employee or vendor to file a police report.

Upon receipt of a copy of the police report, a declaration of forgery form is completed in lieu

of the *Affidavit and Request for Replacement of Lost Warrant* form. The individual is informed that the process may take from two (2) weeks to six (6) months.

The staff will forward the form to the Disbursing Officer or designee for review. The Disbursing Officer or designee will notify the bank. If all procedures have been followed, the bank will reverse the charge. Then, the Disbursement Officer or designee will approve the reissuance of the warrant. The District will be utilizing the bank's "teller positive pay" and "payee positive pay" in order to minimize the possibility of fraudulent transactions.

j. Outlawed Warrant Issuance

The Accounting staff assigned to reconcile the bank accounts on a monthly basis will identify any warrants outstanding for over six months.

The Accounting Staff will research the stale dated warrants as follows:

- Identify the warrant register in which the warrant was issued to identify the payee;
- Search the vendor or Payroll/Human Resources files to determine if the address has changed; and
- Contact vendor or employee regarding their unclaimed warrant.

Accounting will maintain a listing of all warrants, in number sequence, indicating the results of the search. If the employee or vendor is located, the procedures for issuing a duplicate warrant are followed.

Accounting staff updates the outstanding warrant list to record warrants reissued and warrants for vendors and employees that could not be located. The updated warrant list will be reviewed by the Disbursing Officer or designee on a monthly basis.

1. Internal Control Procedure for Reissuing Outlawed Warrants

Payroll or Accounts Payable staff is notified by an employee or vendor that the issued warrant has been returned by the bank for refusal of payment. Accounting staff will identify the applicable outstanding warrant list as stale dated and outlawed. The list is copied and the warrant is highlighted.

The Payroll or Accounts Payable staff shall complete the warrant information section of the *Affidavit and Request for Replacement of Lost Warrant* and request that the employee or vendor review and sign the form. Employees and vendors are notified that approved replacement warrants will take a minimum of five (5) to ten (10) working days to process.

The completed Affidavit and the listing of the outlawed warrants are received and approved by the Disbursing Officer or designee. Every effort will be made to issue warrants through the normal warrant process.

The Accounts Payable staff prepares the duplicate warrant referencing the original warrant

number, enters the warrant information into the Banner system, and forwards the warrant, forms, and addressed envelope to the Disbursing Officer or designee for signature.

The Disbursing Officer or designee reviews the forms, signs the warrant, and either mails or holds the warrant for employee or vendor pickup. The forms are returned to the Accounting staff for filing.

Board approval is required to reissue stale-dated commercial and payroll warrants not cashed within two (2) years from the date of the original issue, per Education Code 85270.

k. Cash Reconciliation Internal Control Procedure

The Disbursing Officer or designee will receive the outstanding warrant lists from the bank system and the Banner system. The Disbursing Officer or designee will order details of cash transactions by fund for the month from the Banner system.

The Disbursing Officer or designee approves entries required for the District financial records and, in addition, prepares and posts correcting journal entries. The Disbursing Officer or designee will initial the reconciliation and return it with a copy of the journal entry to the Accounting staff. The Accounting staff will file the cash reconciliation with copies of supporting documentation for periodic review by the Disbursing Officer or designee.

Monthly cash flow analysis estimates will be performed and compared to trial balance reports. Any questions or deficiencies will be noted by the Disbursing Officer and given to accounting to research and resolve. If this results in a correcting entry, the correcting journal entry will be given to the Disbursing Officer or designee to approve the correction.

l. Warrant Issue and Signature Control Internal Control Procedure

1. Signature and Warrant Micro Code

- The Disbursing Officer or designee will obtain approval for the signature and warrant micro code specifications from the Los Angeles County Treasurer's Office Banking Unit.
- The signature and micro code will be integrated with the software package that generates the printing of the warrants.

2. Warrant Stock Control

- Warrant design and micro code are printed during the warrant processing.
- Control of warrant stock is maintained in a locked cabinet, which is located in the safe in Business Services.
- A log is maintained on a continual basis and used to facilitate internal controls and stock replenishment.

3. Release of Warrants

- The Payroll and Accounts Payable staff enters the payment information into the Banner Payroll and Accounts Payable modules.
- The Disbursing Officer or designee reviews the payment information and approves the batch for payment through Banner. The check processing software that will be used once the payment requests are approved in Banner is Intellicheck.
- The system will not accept the batch for payment until the Disbursing Officer or designee has approved the release.

4. Assignment of Warrant Numbers

The Disbursing Officer or designee maintains a log of sequential warrant numbers for each batch of warrants. The system will not permit duplicate warrant numbers.

5. Printing Warrants

- The designated Accounting staff will have authorized access to the computer dedicated to warrant processing. The dedicated computer will be password-protected and is located in the Business Services' safe with limited authorized access.
- The warrant batches are downloaded by the operator to the designated computer, and the warrants are printed and signed by the laser printer.
- Two (2) Accounting staff must be present at all times when the process of printing warrants is occurring.

6. Spoiled Warrants and Reprinting of Warrants

- If warrants are spoiled during the printing process the Operator will notify the Disbursing Officer or designee.
- The Disbursing Officer or designee will approve the reprinting of spoiled warrants.
- The Management staff will preside over the reprinting of spoiled warrants.
- The Disbursement Officer or designee will review a system generated Audit Report that indicates whether warrants have been printed, reprinted, and the Operator ID that has performed these functions. The warrants listed as reprinted will be compared with the warrant log. The Disbursement Officer or designee will witness the proper disposal of any spoiled warrants.

7. Verifications

- The Disbursing Officer or designee keeps a sequential warrant log and provides the next warrant number to the Fiscal Services designee (Payroll or Vendor warrants) responsible to run the warrant issuance process in the Banner system. The warrant register is produced and returned to the Disbursing Officer or designee to log the ending warrant number and the total number of warrants issued. The next warrant number, ending warrant number, and total number of warrants issued are verified by both the Disbursing Officer or designee and the Fiscal Services designee. The Disbursing Officer or designee signs and dates the warrant log after verification.

- The Disbursement Officer or designee, upon completion of the audit process, gives the authorization to print warrants and provides the count, beginning, and ending warrant numbers to the Fiscal Services designee responsible to print warrants. The printer software indicates the number of warrants to be printed. Warrants are printed using pressure-seal forms. After all the warrants are printed, they are transferred to the pressure-seal machine. The pressure-seal machine provides a total count that is compared to the total number of warrants indicated by the printer software and the numbers provided by the Disbursement Officer or designee. If totals match, the warrants are ready for mailing. If there is a discrepancy, the warrants are counted manually and compared to the check register.

8. Voided Warrants

Voided warrants are processed through the Banner system by Payroll and Accounts Payable staff and approved by the Disbursing Officer or designee.

9. Paid Warrant Retention Internal Control Procedure

The District will receive paid registers and warrant images (front and back) for all warrants. In addition, the District subscribed for "teller positive pay" and "payee positive pay" services through the bank. The District will send electronic files with warrant issue information, and the bank will ensure that payments are made to the payees and for the amounts included in this file.

The electronic paid registers received from the bank will be uploaded into the Banner Finance system. The warrants will be matched and the bank reconciliation produced. The bank reconciliation, with the listing of reconciled warrants, will be approved by the Disbursing Officer or designee and kept in a central file.

The bank reconciliations will be completed on a monthly basis and reviewed by the Disbursing Officer or designee and approved by the Accounting Supervisor.

- a. The District plan will address the following major items:
 - Designation of the District's administrative person responsible for separating District records into the following classifications:
 - *Class 1: Permanent Reports.* Originals or microfilm or exact scanned copies would be retained indefinitely unless a short period of retention is specified. California Administrative Code, Title V, Section 19570.
 - *Class 2: Optional Records.* Not required by law to be retained permanently but deemed worthy of further preservation as specified in California Administrative Code Title V, Section 19571.
 - *Class 3: Disposable Records.* Required retention periods and procedures for destruction or transfer of records as specified in California Administrative Code Title V, Section 19571.2.

- b. The District will develop a retention schedule based on guidelines as outlined in the *Records Retention Manual K-12 & Community College, 2007* prepared by CASBO. The following is an example of a retention schedule with classifications:

Class	Records	Retention
1	Payroll Registers	Permanent
1	Retirement Reports	Permanent
1	County Counsel Opinions	Permanent
1	Board Policies	Permanent
1	Annual Financial Reports	Permanent
1	Budgets	Permanent
1	Financial Aid Applications	Permanent
1	Financial Aid Applications	Permanent
1	Quarterly tax reports	Permanent
1	W-2 Forms	Permanent
1	W-4 Forms	Permanent
2	Commercial Warrant Registers	Permanent
2	Commercial and Payroll Warrants	Permanent
2	Cancelled Checks	4 Years
2	Expenditure Vouchers	4 Years
2	Garnishments - Inactive	4 Years
2	Invoices	4 Years

2	Receipts	4 Years
2	Contracts	4 Years
2	Time Reports and Time Sheets	5 Years
2	Purchase Requisitions, Purchase Orders, Bids	4 Years
3	Working Papers	2 Fiscal Years
3	Administrative Memorandums	2 Fiscal Years
3	Interoffice Memorandums	End of Year
3	Miscellaneous Correspondence	End of Year

c. Record Accessibility to the Public

The public is welcome to review the District's records during the hours of 7:30 a.m. to 4:30 p.m., Monday through Friday, legal holidays excepted. Procedures will be employed to prevent any loss or damage to records, and methods will be implemented to provide copies to the public. Cost of copying will be assessed to the requesting party.

m. **Warrant Stock, Order, and Security Internal Control Procedure**

1. **Ordering of Warrant Stock**

The Disbursing Officer or designee will obtain approval of the warrant format from the District's banking institution. Warrants will be identifiable by type including commercial warrants, payroll warrants, and manual warrants.

The Disbursing Officer or designee will receive the supply of warrants and verify format and quantity. Blank warrant stock will be ordered and bank account micro coding and warrant numbering will be automatically printed through the Banner system.

The Disbursing Officer or designee will maintain vendor documentation and log the quantities ordered and received. A re-order timeline and quantity will be established based on vendor delivery lead time and required bank testing of new stock.

2. **Retention (Physical Security) of Warrant Stock**

Warrant production will occur in the safe located in Business Services, which has limited authorized access. This room will be locked at all times, when not in use, and require a combination lock for access. Access will be limited to designated staff. The combination code will be changed whenever a designated employee is no longer working in Business Services or employed by the District.

Warrant stock will be stored in a secured locked cabinet located in the safe in Business Services.

3. **Security (Control) of Warrant Issued and Retained**

A Warrant control log will be maintained by the Disbursing Officer or designee and secured in a locked cabinet. The designee will record the following into the log:

- Warrant sequence, quantity, and date received;
- Warrant number reorder point;
- Date warrant stock issued;
- Signature of individual, issued warrant stock;
- Signature of individual when warrant stock is returned;
- Warrant sequence issued;
- Warrant sequence voided; and
- Date of physical inventory.

Voided warrants will be mutilated (signature position cut out), returned with log for verification of sequence, then filed numerically. The designee will verify the sequence of all printed and voided warrants.

Warrant stock on-hand will be inventoried on an ongoing basis by the Disbursing Officer or designee.

n. Commercial Warrants Internal Control Procedures

1. Policy & Procedures

Board of Trustees has established Board authorization for approval of purchase requisitions. See Board Policy 6330.

2. Access to Purchasing Software

Access to the Banner requisition module is restricted to authorized personnel. Fiscal Services has implemented an approval based system job function and department.

3. Purchase Authorization

Requesting departments may only charge purchases to their own budget because of the multi-level approval process. Banner's role-based security access will indicate any requests for purchase be approved by the fund manager responsible for the account. The district will be moving to a fund/org security system that will have a restrictions to limit one department's ability to charge another.

4. Purchase Data Integrity

Requisitions should be submitted for processing as complete and accurate. Requisitions for purchases include: requesting department, valid approving electronic signatures, suggested vendor name, quantity/unit item, purchase description, unit price, supporting documentation (i.e., contracts, quotes, etc.) and charge account string.

5. Budget Validation

Requisitions for purchases are verified within the Banner Finance module against available funds in the fund/org/program at the major object level. Banner is configured to confirm available funds for any purchase based on the fund/org/program located in the charge account string. Requisitions with insufficient funds will be rejected upon review by the Fiscal Services Manager.

6. Purchase Approval

Requisitions are properly approved by the department dean or director before submitting to Purchasing Department for purchase.

7. Approval Threshold

Requisitions for purchases of \$1,000-\$4,999 or above require a Vice President's approval, \$5,000+ requires the Chief Business Official approval, and \$25,000 requires the President's approval. Requisitions are forwarded electronically via Banner to the appropriate party for electronic approval.

8. Requisition Review

The Fiscal Services Manager or designee reviews each purchase request for reasonableness. Approvals are captured electronically. The Fiscal Services Manager or designee reviews online requisitions and validates the purchase is charged to the correct account code. The buyers further ensure purchases requiring prior Board approval have been obtained. Purchase requisitions that fail to meet these guidelines are rejected and returned to the requesting department. Approved requisitions are then forwarded to the Purchasing Department for further processing.

9. Specialized Services and Consultants

The Board of Trustees has delegated the authority to sign contracts for consultant or specialized services in the amount that is under the bid threshold. As of 2015, that bid threshold is \$25,000.

10. Appropriation Transfers

All appropriation transfers must be approved by the Fiscal Services Manager with the exception of appropriation transfers from reserves, which must be approved by the Chief Business Official.

11. Budget Revisions

Requests for budget revisions between major expenditure classification categories must be approved by the President, appropriate Vice President, or designee.

All budget revisions are reviewed and approved by the Fiscal Services Manager or designee. The fiscal services manager will submit transfers between major expenditure categories on a quarterly basis and on a ratification basis.

12. Cost Review

Requisitions are reviewed to identify additional costs. Buyers in the Purchasing Department review purchase requests to identify costs not included in the requisition. These costs may include sales/use tax per state, freight and shipping costs, etc. If additional costs exceed original purchase by 10% or more, the requisition is rejected and returned to the requesting department with comments. A change order to increase an amount over 10% of the original amount must be submitted and Board approved. If additional costs exceed original purchase by 10% or more, a change order must be completed for approval.

13. Purchasing Approval

Requisitions of \$5,000 or more are approved by the Chief Business Official. All requisitions \$5,000.00 or above are reviewed for reasonableness and approved electronically before purchase orders are issued.

14. Bid Process Procedures

Purchasing has developed and implemented a purchasing grid showing the bid process and requirements located in **Appendix H**. Purchase requests for supplies, equipment, and services follow procedures which specify when verbal quotes, written quotes, and formal bid processing with Board approval are used.

15. Proof of Competitive Pricing

The Buyers review bids to ensure adherence to the bidding policy. District policy mandates that buyers are responsible to manage the bidding process and ensure competitive pricing is obtained for purchases over \$5,000.00 (including labor, taxes, and shipping). Purchase Orders are informally reviewed by the Purchase Manager for anything under the bid threshold. The Purchasing Manager or designee is involved in all purchases that exceed the bid threshold.

16. Purchase Orders Issued

Purchase orders are issued when all approvals and bid requirements have been obtained. Buyers are responsible for the processing and management of purchase requests and the bidding process. Purchase orders are delivered via US Mail, fax, or electronically and copied to the Purchasing Manager for informal review.

17. Verification of Receipt

The College's Warehouse confirms the received shipment of goods to the purchase order information. Orders are fulfilled and shipped to the receiving warehouse. The warehouse staff check delivery for errors in quantity, damages, etc. Warehouse staff will validate and note received goods by entering receiving data into Banner.

Goods are delivered by Warehouse staff to a final destination with an electronic tracking system.

18. Purchase Order Info Access

Access to change, add, or delete purchase order information is restricted to authorized personnel. Warehouse staff, who process and enter the receiving data, are prohibited from modifying purchase order information. Banner is configured to provide "view only" access rights to Warehouse staff.

19. Fixed Assets Identification

Furniture and equipment received with cost above the capitalization threshold are recorded as a fixed asset. Furniture and equipment ordered and received that meet or exceed the threshold amount are identified and tagged on the Banner system as a fixed asset. Warehouse personnel deliver the furniture and equipment to requesting department(s).

20. Three-Way Matching Process

Accounts Payable matches: 1) invoices, 2) purchase orders, and 3) receiving documentation. Upon receipt of goods, receiving documentation is forwarded to Accounts Payable for three-way matching to ensure proper payment for received goods. The

completed payment package is audited and approved prior to the issuance of the warrant.

21. Mathematical Accuracy

The dollar amount is validated for accuracy, and the purchase order is validated for completeness. Mathematical accuracy is confirmed by Accounts Payable by comparing the amounts on the purchase order to the invoice. The vendor's invoice is further footed and cross-footed. Accounts Payable verifies all electronic approvals have been obtained.

22. Change Order Review and Procedures

Invoices are reviewed to identify additional costs. Accounts Payable ensures the proper sales/use tax rate has been applied and that freight costs are taxable or nontaxable (no change order required). When there is a difference in the invoice to purchase order amount in excess of ten (10) percent, a change order is required prior to processing for payment.

23. Supporting Documentation Retention

Invoices are identified by document number and filed. Processed and approved invoices are identified with a Banner-generated document number to link invoices and other electronic and non-electronic support documentation. Accounts Payable further notes "PAID" on each paid invoice. Paid invoices are filed by alphabetical order by vendor or by warrant number. Payment packages are retained for a minimum of five years.

24. Invoice Report Approval

All invoices (vouchers) are audited and approved by the District Disbursing Officer or designee. In addition to the pre-audit processes, a report is generated out of Banner for all disbursement requests that gets approved by the District Disbursing Officer or designee.

25. B-Warrant Audit

Commercial warrant support documentation is reviewed to ensure completeness and to ensure procedures and policies are properly followed. On a daily basis, Accounts Payable forwards completed payment packages for audit by the District Disbursing Officer or designee. Completed payment packages include approved purchase order, matching invoice, and receiving documentation. Completed payment packages are audited and approved using the Banner online approval process. An Invoice Selection Report is reviewed by totaling the completed payment packages and verifying this total to the total of the Invoice Selection Report. Any invoice not approved will remain in suspense. A designee other than the Accounts Payable staff will produce the Commercial Warrant Register. The Commercial Warrant Register total should balance the total of the Invoice Selection Report. The Commercial Warrant Register is reviewed by the Disbursing Officer or designee who will authorize the printing of the warrants.

26. Audit Guidance

The Disbursing Officer or designee will periodically check with the Los Angeles County Superintendent of Schools to obtain an updated copy of the "Required Audit Documentation" list.

27. B-Warrant Authorization

When commercial warrants have been properly authorized, the Disbursing Officer or designee will electronically approve invoices (vouchers) and authorize the printing of warrants, which indicates warrants have successfully passed audit.

28. Warrant Issued

To ensure the printing of commercial warrants is segregated from the accounts payable function and, once commercial warrants have been audited and cleared for warrant printing, a designee other than the Accounts Payable staff prints the commercial warrants. Designee further generates ACH payments and prints the warrant register.

29. Warrant Control

Warrants are secured from unauthorized personnel. Warrants are stored in a locked cabinet located in the safe located in Fiscal Services. An accurate log of blank stock is maintained on a daily basis. Access to the safe is restricted to authorized personnel only.

30. Digitized Signature Security and Control

Digitized signature access is secured from unauthorized access due to the use of the Evisions software. A physical plate signature will not be necessary and will no longer apply to the commercial warrant process. Access to print commercial warrants will be strictly restricted to authorized personnel only and is password protected.

31. Bank Statement Reconciliation

Bank reconciliations are completed immediately after the monthly statement is received. The reconciliation is prepared by the Accounting staff and forwarded to the Accounting Supervisor for review and approval. A report is produced with the reconciliation identifying all cleared and un-cleared transactions. The bank reconciliation is done by a non-signatory on the account.

1. Assumed Budget Authority Operating Internal Control Procedures from the Los Angeles County Superintendent of Schools:

1. Budget Development and Monitoring

- The governing Board will adopt a budget for all funds in accordance with California state statutes and the District's Board Policy 6200 - Budget Preparation, and 6250 - Budget Management. The budget is sufficiently detailed to provide meaningful comparison with actual transactions. The accounting principles used in the budget preparation are the same as those used in preparing the financial statements. All inter-fund transfers are budgeted. All budget amendments are properly authorized. All personnel budgeted must be included in the position control system in Banner after proper authorization is obtained from the Executive Director of Business Services.

- b. Budget Authority Review Procedure

- Prior to authorization of expenditures, all requisitions are reviewed in Fiscal Services

for verification of account codes and budgetary restraints.

The Banner system has been configured to compare purchase requisitions with department budgets. Unless there are sufficient budgeted funds available, it will not be possible to issue a purchase order without the direct authorization of the District Disbursing Officer or designee. Payments for goods or services that have not been encumbered, budget revisions, and journal entries require monitoring and authorization for budget authority.

The Accounts Payable staff, through use of the Banner system, will verify that funds are available prior to processing a direct-pay invoice or an invoice that exceeds the purchase order amount for payment. The Accounts Payable staff's electronic confirmation on Banner will signify that the budget is sufficient for payment to be made.

The Fiscal Services Manager or designee will review budget transfers for appropriate approval and budget availability prior to entry into the Banner system. An accountant's initials on the budget action will be evidence of budget availability. The accountant will return budget actions to the Fiscal Services Manager when they cannot be processed.

The Fiscal Services Manager or designee will contact the person responsible and request corrective action. The Fiscal Services Manager or the Accounting Supervisor will review and approve all journal entries. The approval will include verification of budget availability.

c. Assumed Cash Control Operating Internal Control Procedures from the Los Angeles County Superintendent of Schools:

1. Cash Control Procedures

Cash transactions will be recorded on a daily basis and a daily cash balance determined before issuing warrants.

Each year, monthly cash flow projections will be made and compared against actual monthly cash expenditures.

The Executive Director of Business Services or designee will review the cash requirement summary and supporting documentation.

2. Cash Clearing Procedures

All cash collected is delivered to Accounts Receivable staff by District campus security. Accounts Receivable staff verifies cash collected and issues a receipt. All prepared receipts are in numerical order. Money is stored in the safe until Accounts Receivable staff prepares the deposit and the money is retrieved by armored car services for delivery to the bank. Daily receipts are broken down into three deposit types- currency, check,

and coin.

Accounts Receivable staff prepares a tape of each day's cash receipts and also runs a separate tape for checks, currency, and coin. These validated tape totals are attached to the duplicate deposit slip. Accounts Receivable staff also prepares and maintain a spreadsheet which lists the cash receipts in numerical order.

3. Revolving Cash Procedures

The District's revolving cash fund is used primarily for emergency payments. The revolving fund is reimbursed on a monthly basis or sooner, if needed.

Primary controls ensuring the integrity of the revolving cash fund include:

- Revolving cash fund is reimbursed frequently;
- The bank account is reconciled monthly;

- The reconciliation is conducted by someone other than the staff who prepares the checks;
- Checks are signed only after payee and amount are properly entered;
- Voided checks are mutilated to preclude subsequent use;
- Support documentation is present for all disbursements made from the fund; and
- The supply of blank checks is adequately controlled in a locked safe with limited access.

d. Timely Reconciliation

The District's accounting records are reconciled against the appropriate reports from the granting agencies, California State Chancellor's Office, Auditor Controller's Office, and any other agencies in which funds are received at the district.

Bank accounts are reconciled monthly.

e. Management Review of Reconciliation

Management will review and approve all bank reconciliations on a monthly basis.

f. Authorized Check Signer & Removal

The Board of Trustees approves the Superintendent/President's routine organizational meeting report each at December board meeting. Part of the organization report authorizes specific positions to sign checks. If there are changes, an amended organization report is sent to the Board of Trustees for

changes. If a person who is an authorized signer leaves the district and no longer serves in the custodian capacity, then fiscal services works with the bank to remove that signer from the authorized signature cards.

g. System Controls

Business services and human resources organizational charts can be found in **Appendix E & F**. The roles are delineated by the respective position titles.

Access to Banner modules is restricted to authorized personnel. This is accomplished by Fiscal Services implementing a role-based security module to assign rights and privileges to employees based on job function and department, ensuring appropriate internal controls. Human Resources and payroll also have a similar role-based security model.

h. Separation of Duties

Business Services maintains proper separation of duties by implementing procedures that no employee should be responsible for two or more of the following four functions for a single transaction class:

- Recordkeeping (creating and maintaining departmental records);
- Asset Custody (access to and/or control of physical assets);
- Authorization (reviewing and approving transactions); or
- Reconciliation (assurance that transactions are proper).

i. Internal Auditing

Presently, there is not an internal auditor. However, there are controls in place to ensure that an internal audit is conducted. In addition to the pre-audit, after accounts payable or the payroll technicians complete the requests for check disbursement, a report is generated out of Banner and approved by the fiscal services manager prior to the check run the following day.

j. Audit Findings

District policy requires management to prepare a response (follow-up) to any finding brought forth. Management will investigate and implement a corrective action as it relates to the finding. All findings, corrective action plans and resolution status are communicated to the Board of Trustees.

k. Employee Training

District provides an array of training and workshops to Business Services personnel to hone current skill sets and attain new ones. Such programs include software business application training, 1099 processing workshops, and various

staff development workshops. As well as training brought back from the management from attending the various workshops and conferences as indicated in Section 2 (a) above under implementing legality responsibilities.

l. Internal Controls Review

Internal controls are evaluated and reviewed annually during the financial audit. A copy of the internal control review and updates can be found in **Appendix G**. In addition, management reviews internal controls when new work assignments (projects) are assigned. Automated system-configured Banner controls were discussed and reviewed during the system implementation.

m. Detailed Records

Required Supporting documentation is housed electronically and reviewed prior to approval of an obligation or expenditure.

n. Credit Card Controls

Business Services will control the initial issuance of credit cards, establish reasonable purchase/spending limits, notify cardholders of credit card policy, promptly review credit card statements, and provide support for purchases.

o. Records Custodian

Business Services has appointed the Fiscal Services Manager as the file custodian for all fiscal documents with the exception of payroll documents. Payroll document management will be the responsibility of the Director of Human Resources.

o. Payroll Warrant Internal Control Procedures

1. Payroll Processing

a. Payroll Payment - Academic Employees

(EC 87821 and 87822)(CBA Article IX)(Administrative Policy 7130)

Payment of contract and regular unit members working the school calendar will be made on the last workday of the month, from August to June. Payment of contract and regular unit members working the entire fiscal year shall be made on the last workday of each month for the entire fiscal year.

Payment of temporary unit members and payment of overload will be made on the 10th day of each of the following months for the regular fall and spring semester:

Fall Semester – (5) equal payments from October through February
Spring Semester – (5) equal payments from March through July
Summer School and Intersession – Payment schedules will vary

b. Payroll Payment - Classified Employees
(EC 85244 and 88160)(Administrative Policy 7130)

Regular classified employees of the District shall be paid on the 10th and 25th of each calendar month.

Substitute employees of the District shall be paid on or about the tenth working day of the month following the month in which the services were performed.

Overtime pay will be included in the salary warrant that is issued on the 10th or the 25th of the month following that in which such overtime pay is earned.

c. Payroll Payment - Hourly Employees (i.e. Short-Term, Professional Experts and Hourly Faculty. etc.)

1. Hourly Employees

Hourly employees who turn in timesheets based on hours worked. Hours worked from the first of the month to the end of the current month will be paid on the 10th of the next month.

2. Reissuance of "damaged and spoiled" payroll warrants

See 2.a.1.d: Duplicate warrant issuance above.

3. Direct Deposit

Employees must complete the *Direct Deposit Authorization* form to identify their bank and checking account or savings account number and provide a voided check or deposit slip from their account. Payroll staff will verify the bank routing number and bank account number listed on the form against the copy of the voided check. Identified discrepancies with the bank account numbers are addressed with the employee. Any changes on the form require employee authorization in writing.

A payroll technician will enter the bank transit routing number and employee account number into Banner from the Payroll copy of the form. The form is retained for audit purposes. The employee will contact the Payroll Department in the event of an error.

When setting up direct deposit, it is initially established as a pre-note to the bank. To ensure that the routing number and account numbers are correct a

pre-note of the direct deposit will be processed prior to an actual pay warrant being sent to the individual's bank account.

4. Garnishment Deductions

The Director of Human Resources or designee receives legal notice of garnishment of employee wages. The Director of Human Resources or designee will complete and return all necessary garnishment response forms, indicating employee's payroll information, amount to be withheld per the order, and percentage or the amount to be withheld from each payroll until the order is satisfied. A copy of the garnishment will be forwarded to the affected employee.

An automatic deduction from the employee's wages will be set up in the payroll system in accordance with the withholding order (amount to be withheld or percentage to be withheld from each payroll). The amount to be withheld is calculated according to the type and/or instructions on the employee withholding order and if there are multiple withholding orders in the legal priority. If there is any uncertainty regarding the legal requirements of the order, legal counsel will be consulted.

Orders include:

- Child/spousal support wage attachments;
- Internal Revenue Service or State Franchise Tax Board Liens;
- Civil Actions; or
- Department of Education.

Typical Payees include:

- Custodial parent;
- County District Attorney Support Division;
- IRS;
- State Franchise Tax Board;
- State Franchise Tax Board - Vehicle registration;
- State Franchise Tax Board - Student loan collections;
- US Marshall - Sacramento;
- Sheriff - Various counties;
- Financial collections services; or
- Educational loan collections services.

d. **Contact**

Contact will be initiated with the agency issuing the withholding notice to determine if alternate methods could be used to accompany the warrant with the required information, such as a transmittal letter. The District will also process these payments electronically as required or permitted by the various agencies.

The Disbursing Officer or designee audits the form and legal notice and approves for

payment prior to the issuance of the warrant.

e. TSA (Tax Sheltered Annuity)

The District currently contracts with American Fidelity as its third-party administrator to handle all activities related to 403b and 457 plans. The third-party administrator will assume responsibility for compliance services, receiving the employee requests, reviewing, and approving or denying requests. The third-party administrator will work directly with employees and vendors to obtain information-sharing agreements, process separation from service distributions, rollovers, transfers and loans, distributions and tax reporting, and monitor hardship withdrawals.

f. Retirement Reporting

The District will extract the required data from the Banner Payroll System, and is integrated with the Los Angeles County Superintendent of Schools' retirement reporting to CalSTRS and CalPERS. A warrant will be issued to the Los Angeles County Office of Education {LACOE} for the employee and employer contribution for both CalSTRS and CalPERS retirement reporting.

g. Health and Welfare

The Human Resources Technician Benefits will create benefit tables in Banner for all pre-tax and post-tax voluntary and required benefit deductions. These consist of all corresponding benefit plans including dental, vision and life insurance codes and cost. Benefits are deducted from employee's payroll once a month either on the 5th, 10th or 30th day of the month depending on the pay calendar. The Human Resources Technician will also enter all 403b and 457b codes, and the corresponding amount of deduction requested by the employee. Deductions are pre-tax and deducted once a month based on the employee's pay calendar. All voluntary pre-tax and post-tax deductions (Cancer, life, flex, disability, etc.) are entered in the same manner. Deductions are made through payroll one a month

h. New-Hire Reporting to EDD

Human Resources will report all new hires to the New Employee Registry (NER) to assist California's Department of Child Support Services and the Department of Justice in locating parents to collect delinquent child support payments.

The District will also report the actual start-of-work date (not the hire date) for each new employee so that the NER data can be crossed-matched to the Unemployment Insurance (UI) benefit payment file. All new employees will be reported within twenty (20) days of the start-of-work date. The report is sent electronically every two weeks.

The District reporting of new employees includes the following items:

1. Employer Information
 - o EDD employer account number
 - o Federal Employer Identification Number (FEIN)

- o Business Name
- o Business Address
- o Business telephone number
- o Contact person

2. Employee Information

First, middle, and last name

SSN

Home address

i. **Replacement Warrants**

See 2.a.1.d: Duplicate warrant issuance above.

j. **W-2 Generation**

The District's Banner Payroll module will be configured to accurately generate annual W-2's based on calendar year earnings, which will include all changes required by the Internal Revenue Service. The Department responsible for tax reporting will have the responsibility to print W-2's from the Banner system and mail W-2's for District employees. In the event a mailed W-2 is lost, damaged, or stolen, a request to generate a duplicate W-2 will be processed by the department providing the originals. Employees also will have the option to receive and print their W-2's from the web. Identification will be validated for in-person requests to ensure proper authorization. Banner will be configured to electronically submit annual W-2 information to the Social Security Administration.

k. **Quarterly Reporting - EDD**

The District will use the *California Quarterly Wage and Withholding Report (DE6)* to report employee wages subject to Unemployment Insurance (UI) and to report Personal Income Tax (PIT) withheld and PIT wages. The District will file federal wage reports - electronically. The District will also file the *California Quarterly Wage and Withholding Report (DE6)* electronically.

l. **Social Security/Name Match**

To ensure the integrity of the W-2, from Human Resources will obtain each new employee's name and Social Security Number (SSN) (actual card) and validate through E-Verify to accurately enter such information into the Banner HR/Payroll modules. (The District will apply to use E-Verify through SSA)

Human Resources will request each new employee to produce his/her social security card. Human Resources photocopies the SSN card for recordkeeping purposes. Furthermore, the technicians will be responsible to ensure the name provided by the employee is exactly as written on the SSN card. For purposes of the W-2, from the name listed on the SSN card will be recorded. If the employee's name is incorrect as shown on the SSN card (for example, married or divorced), the employee will be advised to request a corrected

card from the Social Security Administration (SSA). Human Resources will inform employees that reporting of earnings will reflect the current name on the SSN card until a new card is provided with new (changed) name.

To verify social security numbers provided by new employees, Human Resources will employ the four verification methods adopted by the SSA. The four methods are as follows: internet, telephone, paper, and media file storage.

m. Payroll Tax Payments

Tax payments withheld from employee compensation will be deposited by using a bank account to deposit payments for Federal Withholding, Social Security, Medicare, and State withholding tax payments.

In the event the District accumulates \$100,000.00 or more in payroll tax payments, the tax will be deposited by the next banking day.

On a quarterly basis, the Accounting & Budgeting Supervisor will prepare and file with the IRS Form 941, *Employer's Quarterly Federal Tax Return*. These forms are reviewed and signed by the Executive Director, Business Services prior to submission.

n. Cost of payroll warrant stock

District will bear the cost of payroll warrant stock.

o. Issuance of Payroll Warrants

The District will print and distribute payroll warrants. In order to maintain separation of duties, the Accounting Department will print, fold, and mail the payroll warrants and the direct deposit remittance advices, rather than the Payroll Department. Payroll warrants are counted and compared to the Payroll Register by the District's Disbursing Officer or designee prior to being mailed.

p. New Hire Approvals

Policies and procedures are in place to ensure that approval is obtained before employees are hired and entered into the payroll system. New employees will be processed and hired through the Human Resource Department. Human Resources completes the screening and verification of all documents required and will submit the candidate to the Board of Trustees for approval. Employees will not be paid by the Payroll Department until Board approved, in accordance with District policies. Human Resources will input all new hire demographic data, job assignment, and salary placement into Banner.

q. Position Control

Position Control will be maintained by the Human Resources Department. No individual can be hired or paid without an assigned position number.

r. Separation of Duties

When a position becomes vacant or a new position is created, a Hiring Request for

Personnel form is completed and submitted to Human Resources with the appropriate signatures. Human Resources forwards the form to Fiscal Services for review. Fiscal Services verifies the existence of a funded position number. If it is a new funded position, a new position number is assigned and approved by the Executive Director of Business Services. The form is then submitted to Executive Council for review and approval. Once the position is approved by Executive Council, Human Resources will begin the recruitment process.

An individual must go through an initial submission of an application and interview process. Once selected for a position, Human Resources submits the individual's name to the Board of Trustees for hiring approval. Upon approval, Human Resources will enter the new employee's biographical information into the Banner Human Resource system, along with job assignment and pay information. Payroll has inquiry access only to these data fields and cannot change a position number, job assignment, or pay information. Supporting paper documentation is forwarded to the Payroll Department for processing. To ensure proper segregation of duties, the Human Resources Department does not have access to payment processing functions.

s. Authorizations

Account distribution expense reports are reviewed and analyzed by the Accounting Department. Departments may view their payroll charges using online access in Banner. Position Control determines where the salary and benefit expense is charged and will be maintained by Fiscal Services. New employee hires or status change forms originate from campus departments and are sent to Human Resources to be processed and submitted for Board approval. After Board approval, the documents with appropriate approval signatures are sent to Payroll for processing.

t. Payroll Registers

Electronic copies of the Payroll Registers will be uploaded and stored on a secured shared drive, which is backed up by the Information Technology Department daily. Initial payroll registers will be reviewed and audited before they are submitted for production of payroll checks. Each payroll clerk will audit another payroll clerk's payroll for accuracy. The Disbursement Officer or designee will review each payroll and review a sampling, assuring required approvals, documents, Board approvals, etc.

u. Account Distribution

Payroll expenses are included in monthly online expenditure reports. Account balances are also available daily online to department budget managers. If an account has become deficit, it is reviewed by the accounting staff and a request for an appropriation transfer is issued.

v. Payroll Expenses

Banner has budget by major object and by location. If a payroll exceeds a specified Division budget, an appropriation transfer will be necessary. This process will be handled by Business Services.

w. Federal & State Reporting

The Banner Payroll System calculates all Federal and State Withholding, Medicare (MEDI), Social Security (OASDI), and State Unemployment Insurance (SUI). Tax deposits will be made using an Electronic Tax Payment System through the bank.

x. Workers Compensation

Notification regarding a workers compensation leave is received by a Human Resources Clerical Assistant III from the Senior Administrative Assistant who process the workers compensation claims and notifies Keenan and Associates. The HR Clerical Assistant III tracks active workers compensation claims utilizing the Banner leave module.

Individuals on an active workers compensation leave receive a regular pay warrant. Payroll receives copies of the reimbursement checks from Keenan and Associates by way of Business Services. At this point, a workers compensation adjustment is processed to reduce the taxable earnings and refund OASDI and Medicare to the employee.

y. Check Release to Third Party

If a payroll check is released to someone other than the payee, a signed authorization along with a photocopy of the payee's picture identification card is required. The District requires proper identification of the individual requesting the check, and a signed receipt is required.

z. Unclaimed Payroll Checks

Unclaimed payroll checks are kept secured in a locked safe in the safe, which is located in Business Services.

aa. Payroll Deductions

A signed Employee Authorization is required for each elected deduction. Deductions will be posted in Fund 76-Payroll Clearing Fund, separate from the operation accounts. The deductions are paid within two days of payroll issue date to vendors and reconciled on a monthly basis.

p. Data Processing Internal Control Procedures

1. Adequate Data Processing

The District is implementing a fully integrated Enterprise Application System - the Banner system from Ellucian. This system is in use at over 1,000 colleges and universities throughout the United States and the World. It is a fully functional system that includes all appropriate accounting controls and has modules that handle financial reporting, payroll processing, retirement reporting, inventory control, and all purchasing and accounts payable functions.

Installation of the Banner system is complete. The Student and Accounts Payable modules went live Fall of 1999. The Finance and Purchasing modules went live as of July 1, 2015.

Planning for project-related staffing, both temporary backfill and new permanent staff, is ongoing with many staff already in place. Staff development and training is an ongoing commitment to ensure successful implementation and use of all new systems.

2. Data Backups and Data Recovery

Data processing controls include secure and encrypted daily backups of all critical files, allowing for file restoration in a timely fashion, as needed. In addition, the system utilizes the state-of-the-art Oracle Database Management System which has a sophisticated transaction logging system that allows critical file sets to be reconstructed to any desired point in time. All operating system files and system configurations are backed up daily, as well.

All data is backed up to our SAN storage; tapes are stored locally in a secure tape vault as well as being sent to a secure offsite data storage facility (San Joaquin Delta). Backups are fully secured and protected from unauthorized access and accidental or purposeful damage.

All system servers are fully redundant in terms of CPUs and disk storage; the configuration allows for replacement of a hard disk in case of failure with no downtime or negative effect on system availability.

3. Data/System Security

All systems and data are protected from unauthorized access - firewalls are in place, the Oracle RDBMS security controls for data access are fully implemented, and servers are maintained in a locked environment with access available only to appropriate Information Technology staff.

The District's network is protected from outside access via firewalls, intrusion detection systems, etc. Secure remote access to the network is tightly controlled and allowed only via encrypted VPN with user access logging and fine-grained network access controls.

Security awareness for all management, faculty, and staff is an ongoing District commitment. Training and information is supplied to all employees related to end-user security responsibilities, password protection and management guidelines, protection of confidential and personal data, as well as social engineering and identity theft.

4. Software Upgrades

All software upgrades are implemented in a test database. Each area has a designated individual who is responsible for testing the changes reflected in the upgrade. After testing is complete, the area gives the information technology department approval to move forward with the upgrade in production. Banner module has developed a test plan, which is conducted in the test database. Once the testing has been completed, the appropriate

administrator is required to approve the movement of the software upgrade into the production database.

g. Cost estimate for the following:

1. Audit Study

The required audit study for fiscal independence.

2. Fees

The development and maintenance of any data processing interfaces with LACOE's system, any software license and fees incurred in the interface and storage of data, and any related data processing fees.

3. Services

Any services needed by the District to be performed by LACOE.

Advantages	B Warrants (Vendor)	A Warrants (Payroll)	A & B Warrants	Fiscal Independence
Faster turnaround times	x	x	x	x
More flexibility	x	x	x	x
Less manual workarounds for multiple systems	x	x	x	x
Districts work directly with County Treasurer	x	x	x	x
Increased responsibility and accountability at the District level	x	x	x	x
Annual reporting to County versus monthly reporting				x
Retention of supporting documents	x	x	x	x
Assumes responsibility for pre-audit function	x	x	x	x

Disadvantages	B Warrants (Vendor)	A Warrants (Payroll)	A & B Warrants	Fiscal Independence
Lessening of independent review	x	x	x	x
Initial Cost of Implementation is significant	x	x	x	x
Procedures for payroll and retirement related reports: i.e., STRS, PERS, Social Security, Medicare, TSAs, State & Federal Income Tax, SUI, H&W and W/C		x	x	x
Devises maintains own system of checks and balances	x	x	x	x
Is responsible for cash shortages	x	x	x	x
Assumes cost and effort of special audit study	x	x	x	x
Assumes additional legal liability	x	x	x	x

Assumes responsibility for reconciling warrants issued and paid with banks' records, and for forgery detection and recoveries	x	x	x	x
Assumes responsibility for garnishments and tax liens, and the issuing of duplicate warrants to replace those lost, stolen or damaged	x	x	x	x

- Utilization of the checklist in **Appendix C & D** to assist in the review of district management and accounting controls and to identify deficiencies that may need to be corrected.
- An estimate of the costs resultant from the decision to assume Fiscal Independence:

Fiscal Independence C		Committed/Expended					
<i>Rough Estimates</i>							
One Time Expenses		Partially Accountable		Fully Accountable		Fiscally Independent	
Fiscally Dependent		A Warrants	B Warrants	A & B Warrants	Fiscally Independent		
Software							
Banner	\$ -	\$ 565,695	\$ 565,695	\$ 565,695	\$ 565,695		
Intellicheck	\$ -	\$ 28,840	\$ 28,840	\$ 28,840	\$ 28,840		
Evisions Argos		\$ 60,500	\$ 60,500	\$ 60,500	\$ 60,500		
On Base Document Management		\$ 64,200	\$ 64,200	\$ 64,200	\$ 64,200		
Hardware							
Check Printers-2@	\$ -	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400		
Check Folding Machi	\$ -	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200		
Implementation							
SIG Consulting	\$ -	\$ 1,375,920	\$ 1,375,920	\$ 1,375,920	\$ 1,375,920		
On Base Consulting		\$ 55,160	\$ 55,160	\$ 55,160	\$ 55,160		
Independent Audit	\$ -	\$ 15,000	\$ 15,000	\$ 25,000	\$ 25,000		
Total One Time Expenses		\$ 2,168,915	\$ 2,168,915	\$ 2,178,915	\$ 2,178,915		
n-Going Annual Expenses		Partially Accountable		Fully Accountable		Fiscally Independent	
Fiscally Dependent		B Warrants	A Warrants	A & B Warrants	Fiscally Independent		
Maintenance							
Peoplesoft	\$ 60,000	\$ 20,300	\$ 20,300	\$ 20,300	\$ -		
PC Products	\$ 13,056	\$ 13,056	\$ 13,056	\$ 13,056	\$ -		
HRS	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -		
Banner	\$ 60,000	\$ 180,607	\$ 180,607	\$ 180,607	\$ 180,607		
Intellicheck Maintenance		\$ 13,843	\$ 13,843	\$ 13,843	\$ 13,843		
Evisions Argos		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000		
On Base Document Management		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000		
Check Printers		\$ 400	\$ 400	\$ 400	\$ 400		
Check Folding Machine		\$ 250	\$ 250	\$ 250	\$ 250		
Fees							
Bank Service Fees	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000		
Legal Fees (Retainer)	\$ -	\$ -	\$ -	\$ -	\$ 3,500		
Jet bagservices	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ -		
Misc							
Checks	\$ 15,000	\$ 5,000	\$ 1,000	\$ 6,000	\$ 6,000		
Check Printer Toner	\$ -	\$ 2,500	\$ 500	\$ 3,000	\$ 3,000		
Disbursing Officer							
Fidelity Bonding	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500		
Annual On-Going Expenses		\$ 246,056	\$ 381,456	\$ 360,456	\$ 367,956		

Appendix A

District Disbursing Officer Responsibilities

The assumption of Fiscal Independence responsibilities requiring that the District appoint a Disbursing Officer to have a significant degree of independence in the process of approving and disapproving warrants. This means that the County Office of Education will be removed from the review and approval process of the District's disbursements for commercial and vendor payments, except for debt service payments. The Disbursing Officer must have a very strong legal knowledge of District expenditures, and must be independent from operational responsibilities which would subject him/her to political influence and create an inherent conflict of interest. The Disbursing Officer, therefore, should report within the administrative hierarchy in such a manner to maintain his/her independence with no conflict of interest. The Disbursing Officer must also have independent access to legal counsel and the authority to follow the advice of that counsel.

The primary purpose of the independence of the Disbursing Officer is the safeguard of public funds. Therefore, it is imperative that within the adopted Implementation Plan for Fiscal Independence, the Governing Board specifically acknowledges the duties and responsibilities of the Disbursing Officer, the independence of the Disbursing Officer, and the relationship of the Disbursing Officer to operational units and to the Governing Board, so as to clearly identify areas of responsibility and accountability.

The District Disbursing Officer should be primarily concerned with legality and accuracy of warrant issuance, and budget and cash sufficiency. Additional duties which may be assigned should be reviewed to determine that good internal controls are not compromised.

Disapproval procedures of the Disbursing Officer should require the responsible unit to correct any deficiency. The Disbursing Officer's decision should be final. In no instance should the Disbursing Officer process a deficient item, as either insignificant or on a one-time basis, until the deficiency is corrected.

Education Code section 85266 provide that the "District Disbursing Officer shall issue warrants, using procedures prescribed by the county auditor, on the county treasury for all debts and demands, within categories designated by the county superintendent, against the District when amounts are legally approved." The Governing Board must approve expenditures and it is the Disbursing Officer's responsibility to issue warrants.

The Governing Board should adopt a resolution fixing the amount of the fidelity bond coverage of the Disbursing Officer. As an option, a District may insure against losses.

Following are the duties and responsibilities of the District Disbursing Officer or designee:

- Ensure the legality and accuracy related to all warrants issued.
- Determine that funds are available to cover the payment of claims.
- Have access to County Counsel or contracted counsel independent of the Governing Board or other employees of the District.
- Determine adequate documentation exists to substantiate the appropriateness and authenticity of financial transactions.
- Determine compliance with budgetary, legal, procedural, and specifically funded program requirements.
- Maintain a record of all transactions reviewed together with notations regarding rejected warrant requests.
- Ensure organization independence between operating, custodian, accounting and internal auditing departments.
- Ensure that the segregation of duties is properly controlled.
- Ensure a degree of independence of the District Disbursing Officer and other management offices sufficient to maintain positive integrity of responsibilities.
- Review Requisition to Purchase Order Differences Audit Report and document difference; if a Purchase Order was issued by Purchasing for (10) percent or more than the purchase requisition, an exception will be printed on the audit report and these exceptions will be investigated.
- Ensure controls between Purchasing and Accounts Payable Departments.
- Ensure controls between Human Resources and Payroll Departments.
- Ensure control of warrants and signatures.
- Ensure adherence to Board policies and rules.
- Provide financial information to the Board of Trustees.
- Ensure budget controls and procedures are in accordance with good business and management practices.
- Review and ensure Chart of Accounts is maintained
- Prepare Financial Statements and Cost Analyst Reports independent of the District's accounting function.
- Monitor the integrity of the encumbrance process.
- Verify Governing Board approval of purchase orders, contracts and agreements.
- Monitor the integrity of the accounting procedures and internal control systems.
- Coordinate internal and external auditing activities.

- Ensure that there are audit trails through operational data processing systems.
- Review and interpret legislation as it relates to the collection and disbursing of funds.
- Prepare and coordinate the preparation of written reports of audit findings and recommendations: 1) Internal Audit; and 2) Reply to Certified Audit Reports.
- Ensure that any investment of funds meets legal requirements.
- Determine compliance with laws, regulations and procedures.
- Audit Revolving Cash funds and bank accounts.
- Review annual closing and reopening of the Book of Accounts for compliance to State accounting requirements.
- Review preparation of State and Federal reports.
- Approve the issuance of duplicate warrants.
- Detect, account for, and recover monies lost due to forged warrants.
- Process garnishments and tax liens against employees and/or vendors.
- Audit documents for warrants issued.



**Los Angeles County
Office of Education**

INFORMATIONAL BULLETIN #

9300 Imperial Highway, Downey, California 90242-2890 • (562) 922-6111

Arturo Delgado, Ed.D., *Superintendent*

#3870

Appendix B

June 30, 2014

TO: Business Administrators
Los Angeles County School and
Community College Districts and
Other Local Educational Agencies

FROM: Nkeiruka Benson
Disbursement and
Financial Systems
Manager
Accounting and
Financial Services
Division of School Financial Services

SUBJECT: Commercial Claims Documentation Guide and Revised Document Checklist

IMPORTANT INFORMATION

The purpose of this bulletin is to provide the new Commercial Claims Documentation and Checklist Guide to assist districts in sending required documentation to expedite the processing of vouchers. Effective July 1, 2014, this will replace the Documentation Checklist on Bulletin No. 297, dated March 25, 2009.

State statutes, as embodied in the California Education Code (EC 42636 and 85236), charge each county superintendent of schools with the responsibility to determine the legality of accounts payable expenditures for local educational agencies (LEA) in their jurisdiction. The checklist identifies the specific items that are required to be provided by the LEA to the Division of School Financial

Services (SFS), Commercial Claims Unit for audit before processing payments. SFS staff reviews the documentation and determines if the documents are adequate to establish accuracy, legality and proper authorization of the expenditure.

Districts are to refer to the Checklist (Pages 18-37) when sending supporting documentation to SFS. It is recommended that a copy be provided to your Purchasing, Facilities and Accounts Payable departments.

The Voucher Request Form is being revised to enable districts to submit forms electronically. Districts will be notified when the new form is available on our website.

Serving Students ▪ Supporting Communities ▪ Leading Educators

Commercial Claims Documentation Guide and Revised Document
Checklist Page 2

June 30, 2014

Download SFS Bulletins from LACOE Website

This bulletin and its attachment, as any other SFS bulletin, may be downloaded from the LACOE Website as follows:

<http://www.lacoe.edu/sfs>

On the SFS home page, under SFS Resources select Bulletins. Type in the bulletin number or keyword to find the specific bulletin you need to download.

If you have any questions in reference to this bulletin, please contact:

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Approved:
Patricia Smith, Executive Director
Business and Finance

NB:lt
Attachmen
t

SFS-A82-2013-2014



Los Angeles County Office of Education

School Financial Services Commercial Claims Unit



Commercial Claims Documentation and Checklist Guide

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2014

Revised May

Attachment to: Info. Bul. No. 3870
SFS-A82-2013-2014

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1. INTRODUCTION

1.1 Overview of County Responsibility

The county superintendent of schools is mandated per California Education Code 42636/8523 to examine expenditures of local educational agencies under its jurisdiction to ensure authority and legality of district expenditures. The Commercial Claims Unit, School Financial Services (SFS), Los Angeles County Office of Education (LACOE) discharges this function.

The purpose of the Commercial Claims Documentation and Checklist Guide is to provide guidelines in the audit documentation requirements for a timely approval of district commercial claim orders and for compliance with education codes, government codes, public contract code and other regulations governing public fund contracting and expenditures.

The district is required to refer to this document when sending supporting documentations to SFS. It is recommended that a copy be distributed to its Purchasing, Facilities and Accounts Payable departments.

1.2 County Audit Objectives

The Los Angeles County Office of Education has established the audit review objectives in compliance with the mandates of the California Education Codes (EC).

1.2.1 Authorized Expenditure (EC 42632/85232,42633/85233)

Expenditure must be authorized by a person that was approved by the governing board as shown on the Certification of Signatures required to be filed annually by the district. If the signature cannot be verified in the Certification of Signatures on file, the voucher request will not be processed for payment. District on-line approvers of voucher requests should be in the current Certification of Signatures on file at the County office.

1.2.2 Completeness and Accuracy of District Orders (EC42634/85234)

When an order is received from a district, the County office reviews the supporting documentation for completeness and accuracy. The documentation should show the description of the items or service and the price of each item. The payee, amount, terms, and other details on the voucher are compared to the supporting documentation and considers the reasonableness of the object code to the transaction. Minimum documentation requirements are based on the type of transaction or object code.

1.2.3 Compliance with Budget and Cash Limitations (EC42636/85236)

The county office reviews an order for compliance with the district's approved budget on the object level. The PeopleSoft system runs a budget check on each voucher to verify that the district has budgeted funds available in the object and that the district has sufficient funds in the county treasury to cover the expenditure. An object that is not reflective of the true nature of the expenditure will render the results of the automatic budget check inaccurate.

1.2.4 Legality of Expenditures (EC42636/85236)

The final responsibility of the county office is to verify the legality of district expenditures. District expenditures are examined to ensure compliance with California Education Codes and other governmental codes applicable to the type of payment.

The district order will be approved when, after review of the supporting documentation, the reviewer has satisfied all four objectives.

Although the county office is responsible for auditing district expenditures, it is important that the district has an effective system of internal control. The ultimate responsibility to the taxpayer in ensuring that funds are properly safeguarded and expended lies with the district. The county's audit function should not be substituted for the district's own system of checks and balances.

2. VOUCHER REVIEW PROCESS

2.1 Vouchers selected through the Paycycle Process

All vouchers approved at the district level do not automatically generate a warrant or subject to review by the County Office. The Paycycle process flags items that meet the Audit Criteria; Audit Hold and Amount Hold. If the criteria are met, the vouchers will be suspended and will not be issued until supporting documentation is reviewed and approved by SFS/Commercial Claims Unit. Each district is assigned a Commercial Claims contact to review suspended vouchers and to communicate with them what is required for approval of these suspended vouchers.

A portion of the Paycycle process, which is the selection of vouchers for Audit Hold, runs twice daily at LACOE. In addition to the nightly batch process, it also runs at 12:30 noon. Vouchers entered before 12:30pm which are subject to Audit Hold will be routed to SFS for review after this process runs. These vouchers will be visible in the approval panel for SFS review.

IMPORTANT: The Scheduled Due Date of a voucher is the date the voucher will go to the Paycycle process and not the expected warrant issue date.

For more information on Paycycle, please refer to the LACOE Accounts Payable Process Manual.

2.2 Types of Hold

Audit Hold (AUD) – This occurs when a specific expenditure is held because of the type of expenditure identified by the Object Code. Payments for contracts that cannot be completed in one year or are subject for verification of compliance with applicable codes are generally auditable regardless of amount. The following expenses are subject to audit

–

- Leases and Rentals
- Construction
- Consultants
- Legal
- Accrued Expenses

- Settlement Agreements
- Payroll related accounts

Amount Hold (AMT) - The voucher or vouchers are held because the total amount payable to the same vendor exceeds the district dollar threshold. The purpose of the amount hold is to review items to ensure that projects are not split into several vouchers in order to circumvent competitive bidding and bond requirements.

Exhibit A shows the general audit code profile for K-12 and Community College districts.

2.2.1 Global Vendor Exempt From Audit Hold or Amount Hold

Certain types of payments such as utility bills, payroll withholdings and fringe benefits expenditures have been streamlined to allow efficient payment. The district can request these vendors to be classified as Global Vendors to exempt the vouchers from being held for Audit Hold or Amount Hold. **NOTE:** Exemption is based on the combination of Fund and Object Code used in the voucher for Global Vendors. If a multiple line item voucher contains a line item with a Fund/Object combination not allowable for global vendors, the whole voucher will be placed on audit hold or amount hold.

Designation of a vendor as global/exempt is limited to payments of the following Fund/Object combinations:

Description	Fund Types	Object Codes
Fringe Benefits	All Funds	3400-3499/3700-3799
Fringe Benefits Offsetting Accounts	All Funds	9525-9589
Utilities	All Funds	5500-5539/5550-5599/ 5900-5999
Employee Benefits (Self Insurance Funds)	67x	5800-5899
Associated Student Trust Fund	71x	5800-5899
Withhold/Payroll Liabilities	76.0	9511-9518

Procedures and other information regarding Global Vendor Set up can be found in [LACOE Bulletin 3483](#) issued on January 9, 2013. Additional information regarding

Global Vendor Set Up can also be found in the LACOE Accounts Payable Manual.

2.3 Suspense Register

The Suspense Register is a daily report generated to show the:

- Voucher status and reason why warrant was not printed;
- Vouches that were held for audit or amount hold; and
- Vouches approved at the district level but warrants were not

printed The Suspense Register is available in RAD. The report name is LACSUREG.

The following list shows voucher statuses and their designations on the Suspense Register as well as the corresponding online Payment Approval Status, in the Approvals and Matching panel.

AD	Approved at district level. The payment approval status in the approvals and matching panel is “Approved.”
DD	Denied at district level. The payment approval status in the approvals and matching panel is “Rejected at District Level.” The district needs to delete this voucher.
PD	Pending district level approval. The payment approval status in the approvals and matching panel is “Open-Pending District Approval.”
OH	Payment manually placed on hold. If the hold button on the schedule payment panel has been checked, the system will not issue the warrant till the hold has been removed.
AMT	On hold due to amount. The payment approval status in the approvals and matching panel is “Approved.” The hold check box in the schedule payment panel is checked and is grayed. District needs to send the documentation to their Commercial Claims Representative at SFS.
AUD	On hold due to audit code. The payment approval status in the approvals and matching panel is “Pending.” District needs to send the documentation to their Commercial Claims Representative at SFS.
DEN	Denied by SFS. The payment approval status in the approvals and matching panel is “Denied.” The voucher will be deleted by the SFS Commercial Claims Section.
APRV	Approved by SFS. A warrant will be issued in the next paycycle. The payment approval status in the approvals and matching panel is “Approved” and the post status in the status summary panel is “Posted.”
PS	The system has detected an error and advises the user to call SFS Accounts Payable Support for advice on how to find the error.

2.4 Audit Package (EC 42635/85235)

For vouchers held for audit or amount hold, districts are required to complete and send an audit package consisting of –

- LACOE Voucher Request Form – Properly completed; and
- Minimum audit documentation – **Refer to Sections 6.2 through 6.4 for the complete list of audit documentation requirements by type of expenditure or Object Code.**

Districts may send the complete audit package to the Commercial Claims Unit by JET mail, fax or e-mail. The packages will be reviewed in the order they are received. If documentation is missing or clarification is needed regarding an audit issue, the person assigned to review the voucher will communicate with the district contact by phone or by e-mail.

KEY DEFINITIONS

2.3 Board Approval

Education Code EC35163 states that “Every official action taken by the governing board of every school district shall be affirmed by a formal vote of the members of the board, and the governing board of every school district shall keep minutes of its meetings, and shall maintain a journal of its proceedings in which shall be recorded every official act taken.”

When Board Approval is requested, proof that the meeting took place and the action was affirmed by a formal vote is required. This can be in the form of a copy of the minutes showing the vote or an actual Board Approval form signed by the secretary of the board.

2.4 Public Works Project

Public projects are projects to improve or add value to property. Under Public Contract Code Section 22002 (c), it means any of the following:

- Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repaid work involving any publicly owned, leased or operated facility;
- Painting or repainting of any publicly owned, leased or operated facility; and
- In the case of publicly owned utility system, “public project” shall include only the construction, erection, improvement, or repair of dams, reservoirs, power plants, and electrical transmission lines of 230,000 volts and higher.

2.5 Maintenance

Under Public Contract Code 22002 (c), it includes all of the following:

- Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes;
- Minor repainting;
- Resurfacing of streets and highways at less than one inch;
- Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems; and
- Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, power plants, and electrical transmission lines of 230,000 volts and higher.

Under Public Contract Code 20115, it means –

- Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes in a safe and continually condition for which it was designed, improved, constructed, altered, or repaired; and
- Includes, but is not limited to: carpentry, electrical, plumbing, glazing, and other craft work designed consistent with the definition set forth above to preserve the facility in a safe, efficient, and continually usable condition for which it was intended, including repairs, cleaning, and other operations on machinery and other equipment permanently attached to the building or realty as fixtures.
 - This definition does not include painting, repainting, or decorating other than touch up.

2.6 Public Works vs Maintenance

Public Works	Maintenance
<ul style="list-style-type: none"> • Construction • Re-construction • Improvement • Demolition • Repair • Renovation • Painting 	<ul style="list-style-type: none"> • Routine • Re-occurring/Scheduled • Preventative • Re-surfacing less than 1” • Landscape Maintenance (moving, water, trim, plant, service irrigation) • Minor Painting

2.7 Public Works per Labor Code

Except for public works project of one thousand dollars (\$1,000) or less, not less than the general prevailing rate of a similar character in the locality in which the public work is performed shall be paid to all workers employed on public works. This is applicable only to work performed under contract, and not work carried out by a public agency with its own forces. **It is also applicable to contracts let for maintenance work.** (LAB 1771)

2.8 Construction

New Construction—includes all types of construction for new infrastructures.

Reconstruction—reproduction by new construction following the exact form and details of a no longer existing building or infrastructure as it once appeared.

Site Improvement – alterations to the land that enhance the utility of any structure placed on the site such as:

- Parking lot addition;
- Ramp addition;
- Drainage;
- Sewerage and other utilities;
- Walks and drives;
- Landscaping; and
- Fencing

Building Improvements – includes alterations that materially extend the useful life of a building or increase the value of a building or both such as:

- Structural changes/additions;
- Installation and upgrade of heating and cooling system, window or door frames, wall or ceiling covering, or communication equipment; and
- Conversion of a room to classroom space

Notice of Completion- when a project is completed

Within 15 days of the governing board's acceptance of the completion of a project, a Notice of Completion is filed with the County Recorder's office. (Civil Code 9204).
Subcontractors and suppliers have thirty days after the recording to file a mechanics lien

or a stop notice. After an elapse of thirty five days from the recorded Notice of Completion, the retention will be released if no Stop Notices are filed. Failure to record the Notice of Completion within the 15 days period after acceptance will increase the time period for subcontractors and suppliers to file a mechanics lien or stop notice.

4 LEGAL REQUIREMENTS

4.1 Competitive Bidding Requirement – General

The governing board of any school district or community college, absent an exception, is required to solicit competitive bids for expenditures of more than \$15,000 for public projects or more than \$84,100 for:

- Purchase of equipment, materials and supplies to be furnished, sold or leased to the district;
- Services, except for construction services; and
- Repairs, including maintenance, that are not public projects

The legal requirements of obtaining bids must also be observed for the purchase of materials such as diesel fuel, propane, oil or gasoline. The accumulative total cost of such material received during a school year cannot exceed \$84,100 (as of 1/1/14) without being bid.

4.2 Bid Requirement for Special Purchases

4.2.1 Food

Food purchases are subject to competitive bidding, unless they involve perishable foodstuffs or seasonal commodities. Perishable or seasonal products are those which the seller cannot keep fresh and in top quality during the length of the bidding process. For example, most fresh fruits and vegetables are perishable and seasonal because they have a short shelf life and come onto the market as they ripen. On the other hand, a year's supply of meat, milk, or bread should be bid if the price is expected to exceed \$84,100. These can be supplied incrementally throughout the year and frozen or

refrigerated without losing their necessary freshness.

4.2.2 Lease of Equipment

If the total of all lease payments (including the portion of payments designated as interest) exceeds the current year's bid limit of \$84,100, the lease must be bid. This applies even though the annual payment on the lease is less than \$84,100 and even if the district can terminate the lease at any time. The length of the lease should not be longer than the expected life of the leased equipment.

4.2.3 Transportation Services

In order to procure the service at lowest possible figure, the governing board shall, whenever an expenditure of more than \$10,000 is involved, secure bids pursuant to PCC 20111 or 20112 if the contract will be made with a person or corporation other than a common carrier or a municipality owned transit.

4.3 Pre-Qualification of Bidders AB 1565 and PCC and PCC 20111.6

The new statute effective January 1, 2014 requires a standardized prequalification questionnaire and financial statement from bidders to assess their experience and expertise to carry out work prior to bidding. Conditions for Pre-qualifications –

- Must pre-qualify for project amount of over \$1 million;
- The project will be funded in whole or in part with State funds

Exemption: Districts with average daily attendance of less than 2,500

- Bidders include general contractors and mechanical, electrical, and plumbing (MEP) subcontractors. The list of prequalified MEP subcontractors must be made available at least five (5) business days before bid opening. General contractors must select from the list of the MEP subcontractors prequalified by the district.
- The questionnaires and financial statements will not be made public nor be opened to public inspection. Districts are precluded from accepting bids from any bidder that has not been prequalified at least five (5) days prior to opening of the bids.
- Districts may establish a process to prequalify prospective bidders on a quarterly or annual basis.
- The questionnaire and uniform system of rating bidders will not preclude a district from prequalifying or disqualifying a subcontractor. The link to the entire text of AB1565 can be found at: <http://www.leginfo.ca.gov/pub/11->

4.4 Bid Process

- **Notice Calling for Bids**

The governing board shall publish at least once a week for two weeks in a newspaper of general circulation published in the district, or if there is no such paper, than in some newspaper of general circulation, circulated in the county, and may post on the district's website or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time when and the place where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board may accept a bid that was submitted either electronically or on paper.

- **Bid Security**

All bids for construction work shall be presented under sealed cover and shall be accompanied by one of the following forms of bidder's security: cash, a cashier's check made payable to the school district, a bidder's bond executed by an admitted surety insurer, made payable to the school district.

Upon an award to the lowest bidder, the security of an unsuccessful bidder shall be returned in a reasonable period of time, but in no event shall that security be held by the school district beyond 60 days from the time the award is made.

- **Bid Splitting PCC 20116/20657**

The Public Contract Code prohibits the splitting of a contract into smaller work orders or projects, service or purchase for the purpose of avoiding competitive bidding.

Neither work nor labor associated with a purchase of equipment or materials to be installed to improve an existing building should be separated out from the equipment purchase for the purpose of avoiding the requirement for competitive bidding.

For projects or jobs to be considered separate for purposes of the competitive bidding statutes, it must be separately conceived and independently decided upon by the governing board.

California Uniform Public Construction Cost Accounting Act (CUPCAA)

The district can increase the bid limit for public works if they elect the provisions of CUPCAA. This Act is an alternative method for districts to account for construction work

performed or contracted by public entities. **CUPCCAA does not apply to purchases.** The Act is applicable to any district or county office whose board has elected by resolution to become subject to the procedures set forth in the CUPCCAA. (PCC 22010). To be a member, districts with an average daily attendance of more than 2,500 can increase the formal bid limit by –

- Electing, through Board Resolution, to become subject to the uniform construction cost accounting procedures set in PCC 22010; and
- Notify the State Controller of that election.
- Contractors must be included in the contractors list and have properly responded to the notices published in the construction trade journals.

5 Items not Requiring Bidding

5.1 Professional Services (GC53060)

Districts may contract with and employ any persons for the special services and advice in financial, economic, accounting, engineering, legal, or administrative matters if such persons are specially trained, experienced and competent to perform the special services required.

5.2 Sole Source (PCC 3400)

With limited exception, public agencies are prohibited from “calling for a designated material, product, thing or service by specific brand or trade name unless the specifications list at least two brands or trade names of comparable quality or utility and is followed by the words ‘or equal’ so that bidders may furnish any equal materials, product, thing or service.”

The three statutorily recognized exceptions to this section are:

1. The designation of a particular material or product is necessary to match others in use;
2. A unique or novel product application is required to be used in the public interest; or
3. Where the designated product or material is in the nature of a field test or experiment to determine suitability of the product for future use.

If the latter exception is utilized to justify the sole source designation, there must be a finding by resolution of the district’s governing board authorizing inclusion of a sole source for such field test or experimental purposes. The board’s finding and resolution in this regard must be included in the specifications for the project.

5.3 Information Systems (PCC 20118.2 and EC 81651)

School districts may procure, by a detailed request for proposal (RFP) and competitive negotiation process computers, software, telecommunications equipment, microwave equipment, and other related electronic equipment and apparatus provided that the contracts are not for construction or for the procurement of any product that is available in substantial quantities to the general public. Published notice is required and the RFP must identify all significant evaluation factors, including price and their relative importance. Procedures for technical evaluation of proposals must be in place. If award is not to the lowest priced bidder, the district "shall make a finding, setting forth the basis for the award."

5.4 Instructional Supplies (PCC 20118.3)

The governing board of any school district may purchase supplementary textbooks, library books, educational films, and audio visual materials, test materials, workbooks, instructional computer software packages, or periodicals in any amount needed for the operation of the schools of the districts without taking estimates or advertising forbids. (PCC 20118.3)

5.5 Change Order (PCC 20118.4 and PCC 20659)

- If there is any change or alteration, the board may authorize the contract or to proceed with performance of the change or alteration, without the formality of securing bids, if the cost so agreed up on **does not exceed the greater of** the following:
 1. The amount specified in PCC Section 20111 or 201114, whichever is applicable to the original contract; or
 2. Ten percent of the original contract price. (**Note: Sum total of all change orders may not exceed 10% of the original contract amount or the applicable bid limit whichever is greater.**)

- The governing board of any school district having an average daily attendance of 400,000 or more, may also authorize any change or alteration of a contract for reconstruction or rehabilitation work, other than for the construction of new buildings or other new structures, if the cost of the change or alteration is in excess of the limitations in 1 and 2 above but does not exceed 25 percent of the original contract price, without the formality of securing bids. Changes exceeding 15 percent of the original contract price shall be approved by an affirmative vote of not less than 75 percent of the members of the governing board. (PCC20118.4)

5.6 Energy Conservation (GC 4217.10 – 4217.16)

Public agencies may develop energy conservation, cogeneration, and alternate energy supply sources at their facilities. Prior to awarding or entering into an agreement or lease, the public agency may request proposals from qualified persons. After evaluating the proposals, the public agency may award the contract on the basis of the experience of the contractor, the type of technology employed by the contractor, the cost to the local agency, and any other relevant considerations. The public agency may utilize the pool of qualified energy service companies established pursuant to Section 388 of the Public Utilities Code and the procedures contained in that section in awarding the contract.

5.7 Sale and Leaseback (EC17456/17597)

The sale or lease of any real property belonging to the school district for a term not exceeding 99 years shall not be subject to competitive bidding if all of the following conditions are met:

- A. The property is sold or leased to another local government agency, or to a non-profit corporation that is organized for the purpose of assisting one or more local governmental agencies in obtaining financing.

- B. (1) In the case of the sale of school district property, the school district, as part of that same sale transaction, simultaneously repurchases the same property that is the subject of the transaction.

(2) In the case of the lease of school district property, the school district, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, the same property that is the subject of the transaction.
 - a) The financing proceeds obtained by the school district are expended solely for capital outlay purposes, including the acquisition of real property for intended use as a school site and the construction, reconstruction, and renovation of school facilities.

In addition, any school district may sell to a purchaser any electronic data processing equipment, other major items of equipment, or any relocatable building owned by, or to be owned by, the school district, if the purchaser agrees to lease the equipment or building back to the school district for use by the school district following the sale.

5.8 Lease and Leaseback (EC17406/81336)

The governing board of a school district, without advertising for bids, may let, for a minimum rental of one dollar (\$1) a year, to any person, firm, or corporation any real property that belongs to the district if the instrument by which such property is let requires the lessee therein to construct on the demised premises, or provide for the construction thereof, a building or buildings for the use of the school district during the term thereof, and provides that title to that building shall vest in the school district at the expiration of that term. [See LACOE Bulletin # 3711](#)

5.9 Department of General Services (DGS) Contracts (PCC10299(b))

School districts may, without competitive bidding, utilize contracts, master agreements, multiple award schedules, cooperative agreements, or other types of agreements established by the Department for the acquisition of information technology, goods, and services.

5.10 Purchase of surplus property from the federal government (GC 54142)

A local agency may acquire in any manner from the United States of the State any federal surplus property, real or personal, without competitive bidding.

5.11 Emergency repairs

In an emergency when any repairs, alterations, work, or improvement is necessary to any facility of public schools to permit the continuance of existing school classes, or to avoid danger to life or property, the board may, by unanimous vote, with the **approval** of the **county superintendent of schools**, do either of the following:

- A. Make a contract in writing for the performance of labor and furnishing of materials or supplies for the purpose without advertising for or inviting bids;
- B. Authorize the use of day labor or force account for the purpose; or
- C. Eliminate the need for any bonds or security otherwise required by law

5.12 Piggyback or Cooperative Purchasing PCC 20118 and PCC 20652

The Public Contract Code provides authority for the governing board of any school district, without advertising for bids, if the board has determined it to be in the best interests of the district, to authorize by contract, lease, requisition, or purchase order, any public corporation or agency, including any county, city, town, or district, to lease data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors, and other personal property for the district in the manner in which the public corporation or agency is authorized by law to make the leases or purchases.

California Multiple Awards Schedule (CMAS) form of piggybacking, which allows public agencies to take advantage of contracts negotiated by the state. School districts are authorized to utilize CMAS contracts established by the state for the “acquisition of information technology, goods and services”

without separately bidding those services.

Western States Contracting Alliance (WSCA) is a cooperative between the purchasing directors of fifteen western states, including California, and operates like CMAS. State and local agencies may enter contracts with vendors contracting with California, and other participating states without further competitive bidding. (PCC 10298(a))

5.13 Day Labor/Force Account

School districts may perform certain construction or maintenance jobs where the total number of hours does not exceed 350 using day labor (including maintenance personnel) or force account. For districts with an ADA of 35,000 or more, the limit is 750 hours or \$21,000 in the cost of materials.

6 Documentation Checklist

Below is the list of minimum audit documentation required to be submitted to the Commercial Claims Unit, School Financial Services to support vouchers on Audit (AUD) Hold or Amount (AMT) Hold as shown in the Suspense Register Report (LACSUREG). The required documentation is listed across the transaction description or the object code charged. The object code charged should be appropriate for the type of payment.

NOTE: In addition to referencing **Section 6.1 Minimum Documentation Checklist – Expenditures General**, it is important to reference **Section 6.2 Significant Limits and Special Requirements** to determine if the payment requires additional documentation due to the amount. Also, expenditures exempt from bidding require documentation as shown in **Section 6.3**.

6.1 Minimum Documentation Checklist - Expenditures General

6.1.1 Books and Supplies

Record expenditures for books and supplies, including any associated sales tax or use tax and freight and handling charges.

Description	Object Code	Required Documentation
Books, Instructional Materials	4100-4200	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Duly Signed Purchase Order or Board Approval3. If current Purchase Order amount or balance is not sufficient to cover amount due, approved change order to cover amount due4. Proof of receipt

Materials and Supplies, Non-Capitalized Equipment	4100-4400	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Duly Signed Purchase Order or Board Approval3. If current Purchase Order amount or balance is not sufficient to cover amount due, approved change order to cover amount due4. If amount exceeds bid limit of \$84,100, proof of bidding or exemption to bid5. Proof of receipt
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6.1.1 Books and Supplies

Description	Object Code	Required Documentation
<p>Food</p> <p>Expenditures for food used in food-service activities for which the purpose is nourishment or nutrition (i.e., breakfast, snacks, lunch, and other similar items). Includes food purchased by the food service program for student meals on field trips even if not reimbursed through the school lunch program.</p> <p>Object 4700, Food, is used only with Function 3700, Food Services.</p> <p>Expenditures for food used for instruction in a regular classroom (e.g., in a cooking class or as an instructional reward) are recorded in Object 4300, Materials and Supplies, with an instructional function. Expenditures for food for staff meetings and similar situations are recorded in Object 4300 with the appropriate function.</p>	<p>4700</p>	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Purchase Order or Board Approval 3. If current Purchase Order amount or balance is not sufficient to cover amount due, approved change order to cover amount due 4. Proof of receipt 5. Food supplies or non-perishable food items exceeding bid limit, provide proof of bidding or exemption to bidding. <p>(Note: Perishable food supplies are not subject to bid; catering contract is good for 5 years)</p>

6.1.2 Services and Other Operating Expenditures

Expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, and legal and other operating expenditures. Expenditures may be authorized by contracts, agreements, purchase orders, and so forth.

Description	Object Code	Required Documentation
<p>Sub-agreements for Services</p> <p><i>i.e. Contracts with third party to provide services required by a grant such as emergency services required by an Emergency Response Safety Grant; contracts with nonpublic schools for services to the LEA's special education students; contracts between charter school and management company to provide instruction to the charter school students</i></p>	<p>5800* (First \$25,000)</p> <p>5100* In excess of \$25,000</p>	<ol style="list-style-type: none"> 1. For initial payment, copy of duly signed contract showing the terms and duration of the contract. 2. Board approval 3. Purchase Order 4. Proof of service or event signed by the Department Head or Program Manager. 5. Invoice approved for payment by an authorized signatory. <p><i>*\$25,000 of each individual sub-agreement may be coded to Object 5800, with the remainder charged to Object 5100. The \$25,000 limit applies for the duration of the sub-agreement.</i></p>

6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
Travel and Conferences (Education Code Sections 35044, 44032 and 72423)	5200-5299	<ol style="list-style-type: none"> 1. Travel Claims 2. Board approval of travel/conference 3. Invoices and/or receipts 4. Board Travel and Mileage Policies may be required (if not on file)
Dues and Memberships (Education Code Section 35172)	5300-5399	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Authorized List of Membership Organizations with Specific Board Approval
Insurance <i>All forms of insurance other than employee benefits</i>	5400-5499	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Insurance Policy 3. Board Approval
Operations and Housekeeping Services	5500-5599	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Purchase Order 3. Note: Utility vendors may be exempt from audit if vendor is classified as Global. See LACOE Bulletin#3483

6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
<p>Rentals, Leases, Repairs, and Non-Capitalized Improvements</p> <p><i>Expenditures for rentals leases without option to purchase, and repairs or maintenance (including maintenance agreements) of sites, buildings, and equipment by outside vendors. Includes materials and supplies in the cost or repairs, site or building improvements that do not meet the LEA’s threshold for capitalization; Capital leases should be recorded according to the procedures in CSAM Procedure 710.</i></p>	<p>5610-5629</p>	<p><u>Rentals/Leases</u></p> <ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Contract with Board Approval (recurring lease or long term lease) 3. Purchase Order with Board Approval (one-time lease only) if assigned, need assignment contract 4. Payment Schedule if not contained in contract 5. If over bid limit, provide proof of bidding or exemption to bidding (see “<i>Expenditures Exceeding Bid Limits.</i>”) <p><u>Repairs, Maintenance and Non-Capitalized Improvements</u></p> <ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in Certification for Signature 2. Duly Signed Contract or Purchase Order 3. For payments of more than 95% of the contract price of \$5,000 or more, district’s acceptance of completion of the project (PCC 9203) 4. Payment bond if work to be done is over \$25,000 (CC 9552) 5. If over bid limit, proof of competitive bidding or exemption to bidding (See Section 6.3 and 6.4)

Professional/Consulting Services <i>Expenditures for personal services rendered by personnel who are not on the payroll of the LEA; includes services performed by outside agencies</i>	5810-5819	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Contract with Board approval 3. Board Approved Purchase Order is sufficient for one-time service only. 4. Proof of event (flyers) or log-in sheet
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6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
<p>Instructional Services</p> <p><i>Expenditures for personal services rendered by personnel who are not on the payroll of the LEA; includes services performed by outside agencies</i></p>	5810-5899	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Log-in sheet 3. Duly Signed Contract (Note: Transportation Services subject to \$10,000 bid limit – Refer to Education Code Section 39802)
Appraisals	5810-5819	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Purchase Order with Board Approval (one-time service) 3. Agreement with Board Approval (long-term services)
Legal	5820-5829	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Contract 3. Board Approval
<p>Settlement Agreements</p> <p><i>(Note: Employee Settlement Agreements should be paid through payroll; refer to LACOE Bulletin #3695)</i></p> <p><i>Employee Settlements are treated as wages per IRS ruling 2004-109 and 2004-110. It must be paid through the payroll system to ensure compliance to IRS retirement reporting regulations.</i></p>	5820-5829	<ol style="list-style-type: none"> 1. Settlement agreement signed by both parties and the legal counsels for both parties; or Court Order 2. Board approval in open session per the Brown Act; or if approved in a closed session, report of the final action taken on the case number referenced in the closed session board minutes. 3. If taxes are not taken from the settlement, a letter from an authorized district personnel acknowledging the district can be held liable for failure to properly issue a 1099 and for failure to withhold required taxes if determined settlement is taxable

Special Assessments	5820-5829	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Purchase Order with Board Approval (one-time service)3. Contract with Board Approval (long-time services)
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6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
Advertising	5830-5839	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Purchase Order or Board Approval 3. Copy of advertisement
Operating Services	5840	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Contract with Board Approval (Board Approval is sufficient for one-time service) 3. If expenditure is for transportation services of over \$10,000, proof of competitive bidding or exemption therefrom. <p>Note: Transportation Services subject to \$10,000 bid limit – Refer to Education Code Section 39802)</p>
Non-Instructional Consultants	5850-5859	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Log-in sheet or proof of service received 3. Duly Signed Contract with Board Approval or 4. Purchase Order for one-time service
Private School Tuition	5870	<ol style="list-style-type: none"> 1. Master and/or Individual Contract 2. Board Approval

Other Operating Expenses	5890-5899	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Duly Signed Purchase Order, Contract, or Board Approval3. If over bid limit, proof of competitive bidding or exemption from bidding (See Sections 6.3 and 6.4)
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6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
<p>Communications</p> <p><i>Expenditures for periodic servicing of all methods of communication, including pagers, cell phones, beepers, and telephone service systems. Also includes fax lines, TV cable lines, and Internet service and lines.</i></p> <p><i>Communication equipment below the capitalization threshold should be coded to Object 4400. If the cost of a unit of equipment exceeds the capitalization threshold, use Object 6400</i></p>	<p>5900-5998</p>	<p>1. Invoice or voucher approved by someone in the Certification of Signature</p> <p>Note: Telephone company may be exempt from audit if vendor is classified as Global Vendor. See LACOE Bulletin#3483</p>
<p>Reimbursable/Replenishment of Petty Cash/Credit Cards</p> <p><i>“If type of transaction is auditable regardless of amount i.e. construction, contracts, travel, - other documentation to prove compliance to applicable codes will apply (i.e. board approval, proof of bidding, payment bond). Please refer to the object code or account description for complete audit documentation requirements.”</i></p>		<p>Payroll advance – should be made through the HRS system</p> <p>Vendor payments –</p> <ol style="list-style-type: none"> 1. Receipts 2. Proof of goods/services received 3. Invoice approved for payment by authorized signatory 4. Certification that charges were authorized, verified, and are actual charges for the district <p>Travel Advances and reimbursables</p> <ol style="list-style-type: none"> 1. Copy of brochure, pre-registration form, or agenda 2. Travel request or travel advance form with authorized signatures 3. Receipts

Tuition	7110-7199	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Approval for payment by Authorized Signatory
Other Transfers Out	7210-7299	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Approval for payment by an Authorized Signatory

6.1.2 Services and Other Operating Expenditures

Description	Object Code	Required Documentation
Debt Service	7639	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Approval for payment by Authorized Signatory 3. Certification of Participation Trust Agreement with the schedule of payment
Other Financing Uses	7630-7699	<ol style="list-style-type: none"> 1. Inter-fund transfer authorization 2. Board Approval
Abatement of Income	8000	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Board Approval
Withholdings-Payroll	9511-9518	<ol style="list-style-type: none"> 1. Authorization from Payroll department to issue commercial warrant 2. Invoice or statement to validate amount signed by someone in the Certification of Signature <p>Note: Benefits paid by commercial warrant may be exempt from audit if vendor/plan administrator is classified as Global. See LACOE Bulletin#3483</p>

6.1.3 Capital Outlay

Expenditures for land, buildings, equipment, capitalized complements of books for new libraries, and other intangible capital assets, such as computer software, including items acquired through leases with option to purchase.

Description	Object Code	Required Documentation
<p>Site/Site Improvements Costs of acquisition, additions to/improvements of sites and adjacent ways. Include incidental expenditures in connection with acquisition of sites, site improvements and special assessments on leased property</p>	6100-6170	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Contract with Board Approval 3. Escrow Agreement (if acquiring land) 4. If improvement of site is over bid limit, see Section 6.4
Lease-Lease Back	6200-6299	<p>See Section 6.3.6 Refer to LACOE Bulletin #3711 Overview of Lease and Leaseback for documentation requirement.</p>
<p>Building and Improvements of Buildings</p> <p><i>Costs of construction or purchase of new buildings (including relocatable buildings, such as portable classrooms, additions, and replacements of obsolete buildings including all costs incidental to the purchase or improvement</i></p>	6200-6299	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Contract with Board Approval 3. For payments of more than 95% on a contract amount of \$5,000 or more, district's acceptance of completion of the project (PCC 9203) 4. Payment bond if work to be done is over \$25,000 (CC 9552) 5. If over bid limit, proof of competitive bidding or exemption to bidding (See Section 6.3 and 6.4) <p>Note: Consultant services for construction projects such as architect fees, design fees, and building security will only require items #1 and #2 above.</p>

Books and Media for School Libraries or Major Expansion of School Libraries	6300-6399	<ol style="list-style-type: none">1. Invoice or voucher approved by someone in the Certification of Signature2. Duly Signed Purchase Order or Contract3. Proof of receipt4. If over bid limit, proof of competitive bidding or exemption to bid (See Section 6.3 and 6.4)
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6.1.3 Capital Outlay

Description	Object Code	Required Documentation
Equipment	6400-6499	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Purchase Order or Contract 3. Proof of receipt 4. For payments of more than 95% on a \$5,000 or more contract, district's acceptance of completion of work (PCC 9203) 5. Payment bond if installation cost is over \$25,000 (CC 9552) 6. If over bid limit, proof of competitive bidding or exemption to bidding (See Section 6.3 and 6.4)
Equipment Replacement	6500-6599	<ol style="list-style-type: none"> 1. Invoice or voucher approved by someone in the Certification of Signature 2. Duly Signed Purchase Order 3. Proof of receipt 4. For payments of more than 95% on a \$5,000 or more contract, district's acceptance of completion of work (PCC 9203) 5. Payment bond if installation cost is over \$25,000 (cc 9552) 6. If over bid limit, proof of competitive bidding or exemption to bidding (See Section 6.3 and 6.4)

6.2 Significant Limits and Documentation Requirements: List of additional required documentation if the payment or contract amount exceed specified limits.

Limit	Code	Documentation Requirement
<p>6.2.1 Retention Limit - \$5,000 PCC 9203</p>	<p>PCC 9203 - Payment on any contract with a local agency for the creation, construction, alteration, repair, or improvement of any public structure, building, road, or other improvement, of any kind which will exceed in cost a total of five thousand dollars (\$5,000), shall be made as the legislative body prescribes upon estimates approved by the legislative body, but progress payments shall not be made in excess of 95 percent of the percentage of actual work completed plus a like percentage of the value of material delivered on the ground or stored subject to, or under the control of, the local agency, and unused.</p> <p>The local agency shall withhold not less than 5 percent of the contract price until final completion and acceptance of the project. However, at any time after 50 percent of the work has been completed, if the legislative body finds that satisfactory progress is being made, it may make any of the remaining progress payments in full for actual work completed.</p>	<p>Proof of retention –</p> <ul style="list-style-type: none"> • Progress payments net of 5% retention • Application and Certificate for Payment • Bank Statement showing retention balance in the escrow account <p>Required to release retention –</p> <ul style="list-style-type: none"> • District acceptance of project completion
<p>6.2.2 Transportation Contract Limit - \$10,000 EC 39802 9203</p>	<p>Bid limit for transportation services contract</p>	<p>Proof of competitive bidding</p> <ul style="list-style-type: none"> • Advertisement to bid • Board action awarding the bid

<p>6.2.3 Public Projects \$15,000 PCC 20111/20651</p>	<p>Bid limit for public projects <i>The \$15,000 bid limit for public projects does not apply when the LEA elects to become subject to the California Uniform Public Construction Cost Account Act (CUPCAA).</i></p>	<p>Proof of competitive bidding</p> <ul style="list-style-type: none"> • Advertisement to bid • Board action awarding the bid
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6.2 Significant Limits and Documentation Requirements

Limit	Code	Documentation Requirement
<p>6.2.4 CUPCCAA Limits PCC 22030 - 22045</p>	<p>If the LEA elects to become subject to CUPCCAA, the bid limit for public projects is raised as follows:</p> <p>a. Public projects of \$45,000 or less may be performed by negotiated contract or by purchase order</p> <p>b. Public projects of \$175,000 or less may be let to contract by the informal procedures set forth in the Act.</p> <p>c. Public projects of more than \$175,000 shall be let to contract by formal bidding procedures</p>	<p>Proof of election to CUPCCAA</p> <ul style="list-style-type: none"> • Board Resolution electing to become subject to CUPCAA and; • Notification of such election to the State Controller <p>Proof of competitive bidding (on applicable limits)</p> <ul style="list-style-type: none"> • Advertisement to bid • Board action awarding the bid
<p>6.2.5 Leases, Repairs, Purchases, and Maintenance \$84,100 PCC 2011K-12 districts PCC 20651 CCD</p>	<p>For purchases and non-public project above the Bid limit. Please refer to LACOE Bulletin # 3743 for information on Bid Limits and Public Projects.</p>	<p>Proof of competitive bidding</p> <ul style="list-style-type: none"> • Advertisement to bid • Board action awarding the bid

<p>6.2.6 Payment Bond \$25,000 CC 9550 CC9552 PCC1101</p>	<p>A direct contractor that is awarded a public works contract involving an expenditure in excess of twenty-five thousand dollars (\$25,000) shall, before commencement of work, give a payment bond to and approved by the officer or public entity by whom the contract was awarded.</p> <p>If a payment bond is not given and approved as required by Section 9550: (a) Neither the public entity awarding the public works contract nor any officer of the public entity shall audit, allow, or pay a claim of the direct contractor pursuant to the contract.</p> <p>Public works - An agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind</p>	<p>Payment bond amounting to 100% of the total contract price</p>
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6.2 Significant Limits and Documentation Requirements

Limit Code Documentation

6.2.7

Pre-qualification of bidders

\$1M - AB1565

[See LACOE Bulletin#3742](#)

Prequalification of bidders is mandatory and requires that the standard questionnaire cover all the issues in the prequalification forms published by the DIR. AB 1565, which took effect on January 1, 2014, applies to bid projects:

- Undertaken by districts with average daily attendance (ADA) of more than 2,500;
- With estimated expenditures of \$1 million or more; and
- When the project is funded, in whole, or in part, through School Facility Program or with state school bond funds.
- Board adoption of the pre-qualification process
- Listing of prequalified general and MEP subcontractors

[See LACOE Bulletin#3742](#)

6.3 Documentation Checklist - Expenditures Exceeding Bid Limits but Exempt from Bidding.

Note: Exemption to bidding does not eliminate the need for any bonds or security otherwise required by law. If cost of purchase includes labor costs and installation, payment bond equivalent to the total contract amount will be required.

Exemption	Required Documentation
<p>6.3.1 PCC 20113 Emergency Resolution – Public Work Projects <i>Emergency Work must fit the definition of definition of emergency – sudden, unexpected occurrence, poses a clear and imminent danger, require immediate action to prevent or mitigate the loss or impairment of life, health, property or essential public services. Board must approve a resolution to declare emergency and must submit resolution to LACOE for approval. See LACOE Bulletin #3458 dated 11/9/12</i></p>	<ol style="list-style-type: none"> 1. Emergency Resolution (Ref Bulletin#3458) 2. Duly signed Contractor Agreement 3. Designation of Subcontractors 4. Payment Bond(ifover\$25,000) 5. Certificate of Insurance 6. Certification and Application for Payment with the approval of the contractor, architect, inspector, and LEA representative 7. 5% retention on progress payments 8. Change Orders with Board Approval (Note: Change order more than 10% of the original contract amount is subject to formal bidding) 9. Stop Payment Notices (if any) 10. Release of Stop Payment of Notices (if any) 11. Board Acceptance of completed project 12. Recorded Notice of Completion

<p>6.3.2 PCC 20118/20652 Piggyback and other Consortium contracts</p> <p>Materials, Modulars, or Supplies over limit of \$84,100 for 2014</p> <p>Note: Labor costs are not piggybackable and will have to comply with applicable code regulations</p>	<ol style="list-style-type: none"> 1. Board approval to piggy back 2. Piggyback contract with piggyback clause 3. Duly signed purchase order 4. Detailed price list 5. Invoice for each payment request with approval of authorized signatory. Invoice must show detailed charges to allow each line item to be matched with the piggyback bid price list. A certification that items and charges were compared to piggyback contract can be submitted in lieu of piggyback price list 6. Proof of receipt 7. If there are installation/labor cost of- <ul style="list-style-type: none"> • \$15,000 or more, installation must be bid and must show proof of competitive bidding or exemption therefrom • \$25,000 or more, must provide a payment bond equivalent to 100% of the contract amount • \$5,000, a 5% retention is required on each progress payment 8. District acceptance of completion is required to release retention upon final payment 9. If payment bond was provided, district must record a notice of completion
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6.3 Documentation Checklist - Expenditures Exceeding Bid Limits but Exempt from Bidding.

Exemption	Required Documentation
<p>3.3 PCC 10290-10299/12100 Cooperative Purchasing (CMAS, WSCA)</p> <p>Materials, equipment, modulars, or supplies over bid limit of \$84,000 for 2014</p> <p>CMAS Public Works Requirements - Prior to the commencement of performance, the contractor must obtain and provide a payment bond when the contract involves a public works* expenditure in excess of \$5,000. Such bond shall be in a sum not less than one hundred percent of the Contract price.</p> <p><i>*construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds (LC 1720)</i></p>	<p>Prior to contracting</p> <ol style="list-style-type: none"> 1. The board finding that the CMAS purchase is in the best interest of the district 2. The board must approve the CMAS contract <p>Before start of work</p> <ol style="list-style-type: none"> 3. Payment bond if contract involves a public works expenditure in excess of \$5,000 (CMAS contracts) <p>Initial Payment Request</p> <ol style="list-style-type: none"> 4. Proof of compliance to items 1 thru 3 5. The CMAS contract number must be indicated in the purchases orders and the invoice. DGS requires that purchase orders and contractor invoices show the CMAS Contract Number. 6. Vendor on the CMAS contract should be the same vendor in the invoice. 7. Products and price of item should be verifiable from the product list of the CMAS contract. Districts can submit certification that the items listed on the invoice were verified. 8. Acknowledgement of receipt of goods/services <p>Progress Payments</p> <ol style="list-style-type: none"> 9. Purchase order and invoice with the CMAS contract number referenced. DGS requires that purchase orders and contractor invoices show the CMAS Contract Number. 10. Vendor on the CMAS contract should be the same vendor in the invoice. 11. Products and price of item should be verifiable from the product list of the CMAS contract. Districts can submit certification that the items listed on the invoice were verified. 12. Acknowledgement of receipt of goods/services <p>Final Payments</p> <ol style="list-style-type: none"> 13. If 5% retention was withheld on progress payments, district acceptance of completion is

	<p>required to release retention on final payment</p> <ol style="list-style-type: none">14. If the contract had a payment bond, recorded notice of completion.15. If there were stop payment notices, release of stop payment notices.
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6.3 Documentation Checklist - Expenditures Exceeding Bid Limits but Exempt from Bidding.

Exemption	Required Documentation
<p>6.3.4 PCC 3400(c) SOLE SOURCE</p> <p>Materials, equipment, modulars, or supplies over bid limit to \$84,100 for 2014</p> <p>Note: Labor costs are not exempt from applicable code regulations and will have to comply with applicable code regulations when the costs reach certain limits.</p>	<p>Prior to contracting</p> <ol style="list-style-type: none"> 1. Board Resolution declaring a Sole Source Procurement Method in lieu of competitive bidding <p>Before start of work</p> <ol style="list-style-type: none"> 2. Board approval of contract or Purchase Order 3. Payment bond if contract involves a public works expenditure in excess of \$25,000 <p><u>Progress Payment</u></p> <ol style="list-style-type: none"> 4. Invoice approved for payment by authorized signatory 5. Retention of 5% of amount due if contract involves a public works expenditure in excess of \$5,000 6. Acknowledgement of receipt of goods/services <p><u>Final Payments</u></p> <ol style="list-style-type: none"> 7. Invoice approved for payment by authorized signatory 8. Acknowledgement of receipt of goods/services 9. If 5% retention was withheld on progress payments, district acceptance of completion is required to release retention on final payment 10. If the contract had a payment bond, recorded notice of completion.

6.3 Documentation Checklist - Expenditures Exceeding Bid Limits but Exempt from Bidding.

Exemption	Required Documentation
<p>6.3.5 PCC 20118.2 Purchase of Electronic Data Processing Systems over bid limit of \$84,100 for 2014</p>	<p><u>Prior to contracting</u></p> <ol style="list-style-type: none"> 1. Board Resolution purchase under PCC 20118.2 2. Publication of Notice of Request for Proposals <p><u>Before start of work</u></p> <ol style="list-style-type: none"> 3. Board approval of contract or Purchase Order 4. Payment bond if contract involves a public works expenditure in excess of \$25,000 <p><u>Progress Payment</u></p> <ol style="list-style-type: none"> 5. Invoice approved for payment by authorized signatory 6. Retention of 5% of amount due if contract involves a public works expenditure in excess of \$5,000 7. Acknowledgement of receipt of goods/services <p><u>Final Payment</u></p> <ol style="list-style-type: none"> 8. Invoice approved for payment by authorized signatory 9. Acknowledgement of receipt of goods/services 10. If 5% retention was withheld on progress payments, district acceptance of completion is required to release retention on final payment 11. Release of Stop Notice if any 12. If the contract had a payment bond, recorded notice of completion.

6.3 Documentation Checklist - Expenditures Exceeding Bid Limits but Exempt from Bidding.

Exemption	Required Documentation
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6.3.6 EC 17406/81336 Lease-Lease Back

Refer to [LACOE Bulletin #3711](#) Overview of Lease and Leaseback

Planning Stage

1. Notice of District Intent
2. Board Resolution to enter into a Lease and Leaseback agreement
3. Proof of ownership of site
4. Division of State Architects (DSA) Approval of Plans and Soils Investigation Report Summary

Initial Payment

1. Board Action (or Resolution) Approving and Awarding of Contracts/Agreements
2. Duly Signed Contracts/Agreements
 - a. Site Lease
 - b. Facilities Lease with the Construction Services Agreement
 - c. Payment Schedule
 - d. Guaranteed Maximum Price
3. Performance and Payment Bond
4. Certification of Insurance
5. Certification of Application for payment with approval of the contractor, architect, inspector, district authorized representative

For Progress Payments

1. Certification and Application for payment with the approval of the contractor, architect, inspector, district authorized representative
2. Change Orders with Board Approval (should be within the context of the Contingency Fund provision)
3. Stop Payment Notice(s) (if any)

For Final Payment

1. Release of Stop Payment Notice (if any)
2. Board Acceptance of Completed Project
3. Recorded Notice of Completion

6.4 Expenditures Exceeding Bid Limits – If exempt from bidding please refer to Section 6.3

Description	Doc #	Statute	Required Documentation
6.4.1 Public Projects – including improvement of site and improvement of buildings Repairs and Service	1	AB 1565 – LACOE Bulletin # 3742	<u>On Initial Payment</u> 1. Proof of prequalification of bidders for projects over \$1M 2. Advertisement for bid 3. Board action awarding bid 4. Designation of sub-contractors 5. Duly signed contract 6. Payment bond (if over \$25,000) 7. Certification of insurance 8. Escrow agreement (if applicable) 9. Application and Certificate for payment with the approval of the contractor, architect, inspector, LEA authorized representative <u>For Progress Payments</u> 10. Application and Certificate for payment with the approval of the contractor, architect, inspector, LEA authorized representative 11. Escrow/bank statement showing balance in escrow account (balance should be sufficient to cover required retention) 12. Change orders with board approval (Note: Each change order more than 10% of the original contract amount is subject to formal bidding.) 13. Stop payment notice(s)(if any) <u>For Final Payment</u> 14. Release of stop payment notice (if any) 15. Board acceptance of completed project 16. Recorded notice of completion
	2,3,4	PCC Section 20111(b) for K-12 districts, PCC 20651(b) for community college districts	
	7	CC Section 9550	
	9,12	PCC 22300 (If retention is deposited to an escrow agent)	
	13	PC 20118.4 K-12 districts, PCC 20659 for community college districts	
		CC 9358	
		CC 8128	
		PCC 9203	
		CC 9204	

Description	Doc #	Statute	Required Documentation
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GLOSSARY

7.1 Competitive Bidding:

A procurement method in which bids from competing contractors, suppliers, or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated.

7.2 Retention:

This provides owners with knowledge that the project a contractor has signed must be completed if the contractor is to be paid for his or her work in its entirety. A retention plan often calls for the withholding of 5 percent to 10 percent of payment until the work is finished as promised.

7.3 Payment Bond:

A payment bond is a surety bond (A promise to pay one party (the obligee) a certain amount if a second party (the principal fails to meet some obligation), posted by a contractor to guarantee that his subcontractors and material suppliers on the project will be paid.

7.4 Performance Bond:

A surety bond issued by an insurance company or a bank to guarantee satisfactory completion of a project by a contractor.

7.5 Bid Bond:

Issued as part of a bidding process by the surety to the project owner. It assures and guarantees that should the bidder be successful, the bidder will execute the contract and provide the required surety bonds.

7.6 Notice of Completion:

A written notice issued by the owner of a project (or his or her agent) to notify concerned parties that all work on the project has been completed. This notice also sets the period within which concerned parties may exercise their lien rights against one another.

7.7 Sole Source

This means that there is only one person or company that can provide the contractual services needed, so any attempt to obtain bids would only result in that person or company bidding on it.

7.8 Emergency

Emergency means a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services (PCC 1102)

7.9 Piggyback

Piggyback is a method that allows one party to take advantage of a contract between two other parties.

7.10 Stop Payment Notice:

It is a notice to withhold funds, sent to the agency that is providing the construction funds for a project. The purpose of the Stop Notice is to provide the financier of the construction project notice that there is money owed to a contractor, subcontractor or supplier so that an injury can be made as to why that money is not being paid. Once the agency receives the Stop Notice, that agency has notice that it should withhold sufficient money to satisfy the stop notice claim.

7.11 A Change Order

This is work that is added to or deleted from the original scope of work of a contract, which alters the original contract amount and/or completion date.

7.12 Sub agreement

Agreements with a third party by a district to provide instructional or support activities.

7.13 Payment schedule:

An arrangement for payments to the contractor, typically based on amounts of work completed.

AUDIT PROFILE FOR COMMUNITY COLLEGE DISTRICTS (General)				Comments
SetID	From Object	To Object	Hold	
AUDC1	1000	1999	Y	Items marked "Y" are auditable regardless of amount ("AUD" in Suspense Register)
AUDC1	2000	2999	Y	
AUDC1	3000	3999		Unmarked items are not auditable unless amount exceeds \$14,999 ("AMT" in Suspense Register)
AUDC1	4000	4009	Y	
AUDC1	4100	4199		
AUDC1	4200	4299		
AUDC1	4300	4399		
AUDC1	4400	4499		
AUDC1	4500	4599		
AUDC1	4600	4699		
AUDC1	4700	4799		
AUDC1	4800	4999	Y	
AUDC1	5000	5099	Y	
AUDC1	5100	5199	Y	
AUDC1	5200	5299		
AUDC1	5300	5399		
AUDC1	5400	5499		
AUDC1	5500	5549		
AUDC1	5550	5599		
AUDC1	5600	5609	Y	
AUDC1	5610	5629	Y	
AUDC1	5630	5699		
AUDC1	5700	5709		
AUDC1	5710	5719		
AUDC1	5720	5729		
AUDC1	5730	5739		

AUDC1	5740	5789	
AUDC1	5790	5799	
AUDC1	5800	5809	Y
AUDC1	5810	5829	
AUDC1	5830	5839	
AUDC1	5840	5849	
AUDC1	5850	5859	
AUDC1	5860	5869	
AUDC1	5870	5879	Y
AUDC1	5880	5889	
AUDC1	5890	5899	
AUDC1	5900	5999	Y
AUDC1	6000	6099	Y
AUDC1	6100	6199	Y
AUDC1	6200	6299	Y
AUDC1	6300	6399	Y
AUDC1	6400	6449	Y
AUDC1	6450	6499	
AUDC1	6500	6549	Y
AUDC1	6550	6599	
AUDC1	6600	6999	Y
AUDC1	7000	7099	Y
AUDC1	7100	7199	
AUDC1	7200	7399	Y
AUDC1	7400	7499	
AUDC1	7500	7599	
AUDC1	7600	7699	
AUDC1	7700	7999	Y
AUDC1	8000	8999	
AUDC1	9000	9319	Y

Audit Code Profile Community College Districts

Appendix C:

Audit Study Checklist

A. Organization	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have board policies identifying and defining the duties and responsibilities of the Disbursing Officer, including their degree of independence?		
2. Review the district organizational chart, specifically identifying the placement of the Disbursing Officer position.		
a. Is the Disbursing Office sufficiently independent of the accounting, purchasing, human resources and information technology departments?		
b. Does the Disbursement Officer report to a level not lower than the Executive Director of Business Services?		
c. Is the <i>organization chart current</i> ?		
d. Is there a job description for the Disbursing Officer position? (ref. Appendix 1 for illustrative duties)		
3. Are the Disbursing Officer and similar key Business Department staff in positions of trust bonded?		
4. Has the district evaluated the qualifications of personnel assigned or to be hired for positions related to Fiscal Accountability? Do their qualifications fit with the position classification?		
5. Does the organizational chart show the responsibility for administration of information technology over administrative and financial operations?		
6. Does the district have policies and procedures for the reporting and handling of potential fraud or other reported misconduct?		
7. Does the district have procedures to rotate staff assignments and provide backup when staff are on leave or are no longer in the employ of the district?		
8. Are there processes by which the district will periodically review internal control policies and procedures?		
B. Accounting Records	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Is there a system of accounting used to record the financial affairs of the district in accordance with definitions, instructions, and procedures as prescribed in the California School Accounting Manual (K-12 districts) or the Budget and Accounting Manual (community colleges)?		

2. Does the district have an adequate system for record retention of supporting documents?		
3. Does the district have an adequate system for record retention of supporting documents?		
C. Budgetary Controls	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. What are the policies related to board approval of expenditure budget increases to prevent incurring expenditures in excess of appropriations by major object classification?		
2. Is the district adhering to board policy over budget revisions?		
D. Warrant Stock and Signature	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have procedures to maintain security (control) over payroll and commercial warrants at all times in the process (i.e., from raw stock to mailing of warrants)?		
2. Does the district have procedures to maintain security (control) over signature plates?		
E. General Warrant Processing	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have procedures to maintain sufficient documentation and adequate audit techniques to support the legality and issuance of warrants?		
2. Does the district have policies and procedures for manual, cancelled and duplicate warrants?		
3. Does the district have procedures to transmit the warrant listing to the county auditor in the prescribed format listing items such as warrant number, date, amount, payee and the fund on which drawn?		
F. Cash Management and Reconciliation	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have policies and procedures for the investment of excess cash?		
2. Does the district have procedures in place to verify that cash is available for the issuance of warrants?		
3. Does the district have a procedure in place to immediately notify its banks and Los Angeles County Office of Education when the Disbursing Officer or other custodian leaves the employ of the district, when the district identifies an interim Disbursing Officer, or when the district hires or appoints a new Disbursing Officer?		

4. Does the district have procedures for the timely reconciliation of the district accounting records with the control records of the County Auditor's office?		
5. Are the District's clearing account checks payable only to the County Treasurer?		
6. Is there a provision to provide sufficient cash for operations, including when needed, cash flow loans?		
G. Financial Reporting	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have procedures to meet financial reporting requirements for the submittal of monthly reports to the County that include a statement showing for the current fiscal year to date each required expenditure classification, the amount budgeted, actual expenditures, encumbrances and unencumbered balances?		
2. Is there a record of Board approval of budget revisions and interim reports (EC Section 42131, 42610/85210 and 42602/85202)?		
3. What procedures are in place to provide the Los Angeles County Office of Education with required data for reports in which the county will prepare, for example retirement reports?		
H. Commercial Warrants	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Is there a segregation of duties between the data entry and approval functions?		
2. Is there adequate segregation of duties between the purchasing office and the accounts payable process?		
3. Does the district have procedures to ensure all warrants are approved in accordance with district policy?		
4. Are there practices to verify goods or services received prior to payment of the warrant?		
5. Are invoices matched to purchase orders and receiving documentation prior to payment?		
6. Are there procedures to ensure warrants are properly distributed to budgetary accounts?		
7. Is the pre-audit performed by someone other than the accounts payable clerk responsible for commercial warrant payments, to insure sufficient oversight to support the legality and issuance of warrants?		
8. What procedures does the Disbursing Officer follow to ensure the warrants have been legally		

examined, allowed, and then order to be paid by the governing board? Are the procedures documented?		
9. Does the district use the Los Angeles County Commercial Claims Manual to audit the warrants?		
10. Are there procedures to properly issue 1099s annually?		
11. Are there procedures to reconcile the general ledger control account with the payment of warrants?		
12. Does the district have board policies and procedures relating to employee reimbursement (travel, conferences, and mileage)?		
13. Does the district have procedures to identify and properly handle independent contractor services?		
14. Does the district have procedures to monitor credit card usage to ensure compliance with board policy and the Commercial Warrant Claims Manual?		
15. Has the district complied with Public Contract Code with regard to public construction projects, such as: bidding specifications; process; selection,-post-award contracts and change orders?		
16. Are the District's construction payments monitored for consistency with construction contracts?		
17. Has the district established a control system to handle any liens and levies in accordance with legal requirements?		
18. Does the district review and retain sufficient documentation for revolving cash transactions?		
I. Payroll Warrants	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Is there adequate segregation of duties between the human resources department and the payroll office		
2. Are there policies and procedures for the appointment of employees and setting salaries		
3. Is Human Resources processing new employees in accordance with district policy, for example, requiring background checks, TB tests, verification of credentials and degrees		
4. Are there policies and procedures for approval of changes in employment status or pay rates		
5. Are retired employees who work for the district monitored in accordance with STRS/PERS earnings		

limitation		
6. Are overtime pay allowance reports and approvals maintained		
7. Are there checks to ensure payroll is properly distributed to budgetary accounts		
8. Are there procedures to effectively issue and control W-2s, including preventing unauthorized changes		
9. Are salaries appropriated in the budget and positions controlled		
10. Are there procedures for the use of employee attendance reports and the review, approval and correct entry to the payroll system		
11. Are leave records kept up to date in accordance with district policy		
12. Does the Disbursing Officer review and sign the payroll prelists to insure sufficient examination to support and audit the legality and issuance of warrants		
13. Does another administrator review the payroll transactions relating to relating to the Disbursing Officer; specifically with regard to the Disbursing Officer's salary placement and expense reimbursement		
14. Does the district ensure that certifications and credentials have not expired and that, if expired, payments are held until credentials are renewed		
15. Does the district prepare and file timely the following payroll reports		
a) Federal/State Withholding Tax reports?		
b) Workers' Compensation reports?		
c) Unemployment Insurance reports?		
d) STRS and PERS reporting?		
e) FICA reporting?		
f) Voluntary deductions?		
16. Has the district established a control system to handle any garnishments in accordance with legal requirements?		
17. Does the district maintain effective security over unclaimed payroll warrants?		

J. Information Technology	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district have qualified, trained and adequate numbers of information technology staff?		
2. Is the hardware and software sufficient to process warrants in-house?		
3. Is there a plan to train users hi the software applications related.to warrant processing?		
4. Does the district have a current network topology, which guides the maintenance of the network infrastructure, i.e., Diagram of LAN and WAN infrastructure?		
5. Has the District established programming and procedural controls to guard against operator error?		
6. Is there vital records protection, storage, and retention control?		
7. Are internal controls in place that are sufficient to:		
a. verify conversion of data to machine readable form for input;		
b. detect the lass or nan-processing of data items;		
c. guard against the misuse of files stored on machine-readable media;		
d. detect hardware malfunctions; and		
e. minimize the chance of duplicate payments?		
8. Are effective audit trails provided by EDP reports and documents, such as:		
a. Employee salary placement and changes of status; and		
b. Commercial warrant changes in vendor or amounts after the original document prepared?		
9. Does the district have an adequate business continuation plan (backup procedures) to ensure that the district could continue to pay employees and vendors in the case of a disaster that destroys the district's computer facilities?		
10. Are there firewalls to protect from intrusion from the internet?		

11. Is there a security policy to govern the use and access to the network?		
12. Are there proper physical and environmental controls over the district's data center?		
13. Are sensitive HR and payroll files that are in desktop Recycle Bins and not properly deleted?		
14. How are software privileges controlled to avoid the potential for unauthorized changes, i.e., access rights and change management rights?		
15. Does the district's system have the capability to provide the County Office of Education with financial data without extensive manual processes?		
K. District Implementation Plan	Satisfactory (Y/N)	Unsatisfactory (Y/N)
1. Does the district's implementation plan substantially address the management and accounting controls for Fiscal Independence?		
2. Has the district conducted a cost analysis of Fiscal Independence?		
3. Has the district provided for obtaining qualified personnel, acquisition of equipment, implementation of software, update of board policies and implementation of Fiscal Independence procedures?		
4. Has the district established a reasonable timeline for implementation?		

Appendix D:

California Community College Fiscal Independence Questionnaire

1. Adequate Fund Balances	Yes/Met Consistentl y	Met Partially	No/Not Met
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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.

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, System Office.			
b. The district has avoided deficit fund balances in its funds for the past five fiscal years.			
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.			
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.			
f. Purchase orders are verified for availability of funds, within budget limits authorized for division, campus, or program.			

2. Statute and Governing Board	Yes/Met Consistentl y	Met Partially	No/Not Met
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The district makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.

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.			

c. Payments, loans, and advances to employees from undeposited 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 Community Colleges BAM.			
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).			
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 52011.			
p. Safeguards are in place to prevent conflict of interest by board members and employees.			
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.			
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.			
t. All internal and external audit exceptions and recommendations are promptly reported to the campus president, district superintendent, and board.			

u. All internal and external audit recommendations have been reviewed, acted upon and resolved in a timely manner.			
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3. Adequate Internal Controls	Yes/Met Consistentl y	Met Partially	No/Not Met
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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 county office of education and to provide an internal audit function that assures adequate internal controls.

a. A plan of organization that provides segregation of duties appropriate for the safeguarding of district assets.			
b. Procedures are established to monitor compliance with:			
Financial reporting requirements			
Use of funds and other grant terms			
Timely billing of amounts due under grants			
b. For entitlements and apportionments, comparisons are made of the amount anticipated and the amount received – variances are investigated and resolved.			
c. A responsible official reviews statistical and data reports before they are submitted.			
d. Controls are in place to assure adequate follow-up on unmatched invoices, purchase orders, and requisitions.			
e. Purchases have been centralized in the business office under an employee designated by the board.			
f. The person responsible for signing warrants is bonded in an amount fixed by the governing board.			
g. 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).			
h. The IRS 1099 requirements are met.			
i. The procedures are adequate for placing personnel on the proper salary schedule.			

j. The personnel information, current and historical, is available to meet all reasonable district requirements.			
k. For open, on-line systems of procurement and budget reports, adequate controls of access to files and security of data are maintained.			
l. There are adequate controls over the distribution of reports.			
m. There is adequate follow-up on unmatched transactions between master record and transaction records.			
n. Controls over master files are adequate.			
o. Copies of important programs, records and files are kept in separate fireproof storage.			
p. Documentation is kept up to date and record keeping practices are adequate to support transactions (for audit trail purposes).			
q. Safeguards are adequate to prevent unauthorized entry of program changes and/or data.			
r. There are systems and procedures manuals for the administrative activities of the district.			
s. 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.			
t. The external auditors report on the lack of or weak internal control procedures and make recommendations to management.			
4. Legality and Propriety of Transactions	Yes/Met Consistentl y	Met Partially	No/Not Met

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.

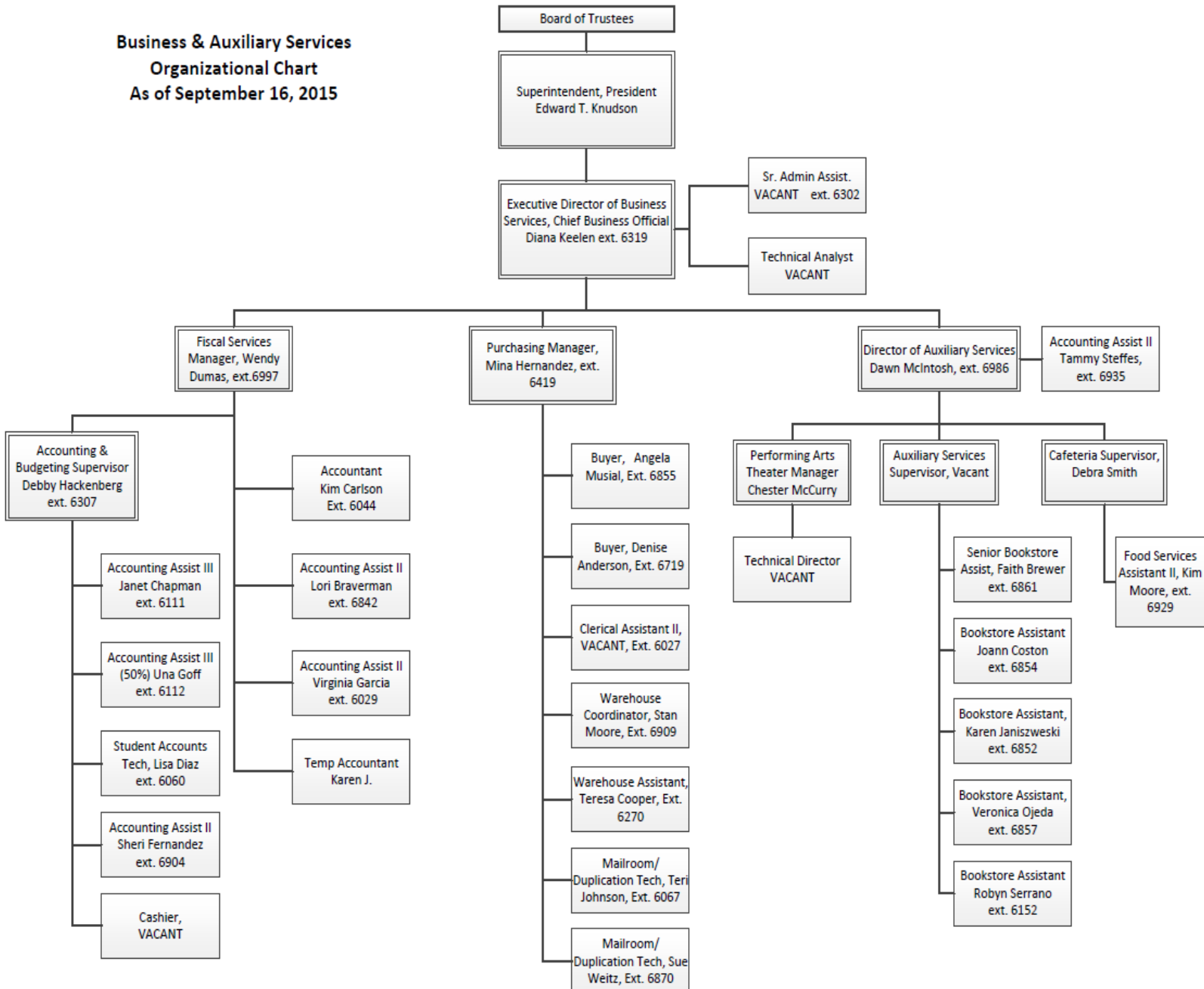
a. The accounting office staff exercise independent judgment on the legality and propriety of accounting transactions.			
b. The fiscal officer exercises independent judgment on the legality and propriety of accounting transactions.			
c. The person signing warrants exercises independent judgment on 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 exercises 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.			
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.			
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 assure 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.

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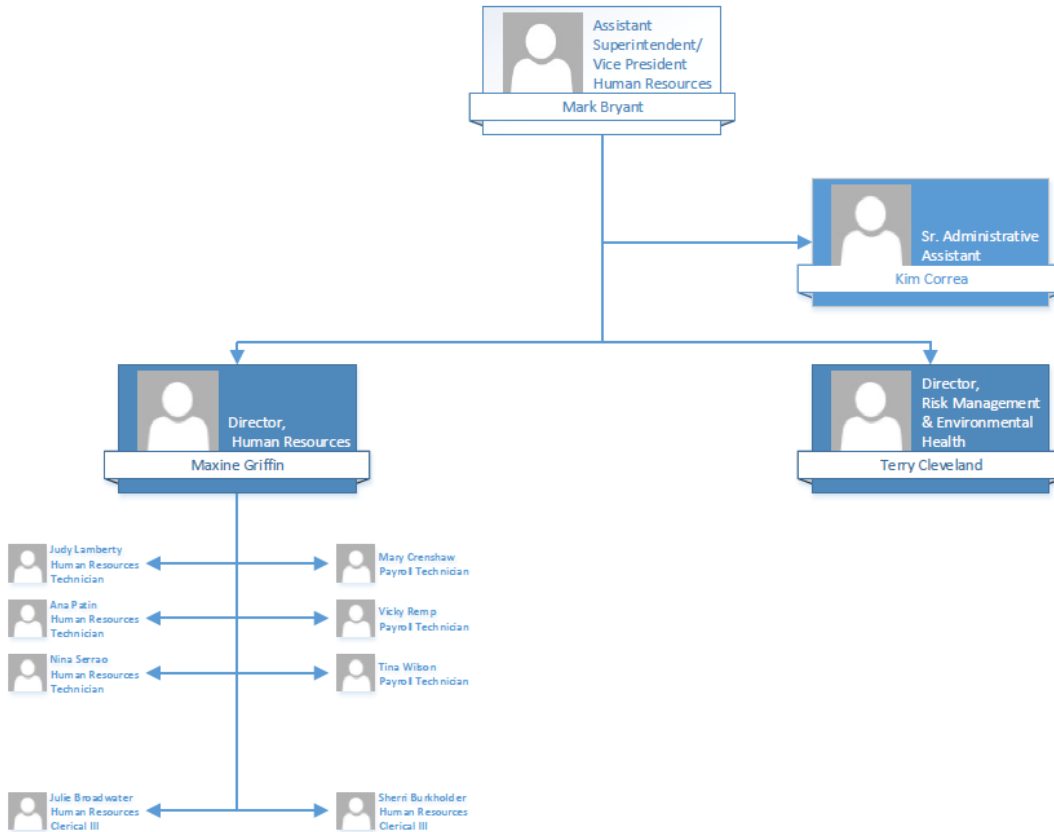
Appendix E: Business & Auxiliary Services

**Business & Auxiliary Services
Organizational Chart
As of September 16, 2015**



Appendix F: Human Resources & Payroll

Antelope Valley College Human Resources & Employee Relations Organizational Chart



Appendix G: Internal Controls Matrix (Example)

Entity Level Control Environment Controls
Environment

B1000-

A - Development and Communication of Integrity and Ethical Values

Documentation of Actual Control		Current Year Updates or Corrections
1)	A clearly articulated statement of ethical values/code of conduct has been developed and approved by the Board of Trustees. It is posted on the Board website.	
2)	The college has established a mechanism or process designed to encourage the communication of identified concerns. Employees are encouraged to report concerns to their managers and all employees have the contact information of the all Board members as an additional method of reporting any identified concerns.	
3)	All reported ethical violation are investigated within 24 hours. Investigations are performed by a member of HR appointed by the VP of Human Resources and the appropriate department supervisor. Findings and conclusions are reported to the VP of Human resources. Findings may also be reported to the Superintendent, depending on the severity.	
4)	If fraud is committed or other ethical violations detected, appropriate disciplinary action is taken and the expectation of such disciplinary action is set forth in an employee handbook or code of conduct.	

B - Governance

Documentation of Actual Control		Current Year Updates or Corrections
1)	The Board of Trustees includes individuals with the proper credentials and/or experience to govern the organization.	
2)	Board members are sufficiently independent of management to challenge management's judgments and decisions. All Board members are independently elected by the voting public.	
3)	The responsibilities of those charged with governance have been clearly defined and communicated. The Board's policies and procedures are posted on their website.	
4)	The Board meets on a monthly basis and receives sufficient and relevant information to enable it to timely and effectively fulfill its responsibilities.	

Documentation of Actual Control		Current Year Updates or Corrections
1)	Senior management participates in the determination of appropriate accounting conclusions related to nonroutine or complex transactions and in determining accounting policies and processes dealing with significant estimates requiring substantial judgment. Research for the proper accounting treatment of non-routine transactions is performed by Wendy Dumas, Fiscal Services Manager. Conclusions are reviewed and approved by the Diana Keelen, CBO, prior to implementation.	Change in organizational structure in business services. Increased management oversight.
2)	The entity has established and communicated to employees its organization structure and lines of reporting. Organization charts for various departments are available on the college website.	
3)	Personnel in a financial reporting role are appropriately supervised. Accounts receivable staff report to Debby Hackenberg, Accounting and Budgeting Supervisor. Debby Hackenberg and all other accounting staff report to the Fiscal Services Manager, Wendy Dumas, who reports to Diana Keelen, CBO, who reports to Ed Knudson, Superintendent/President.	Change in organizational structure in business services. Increased management oversight.
4)	Official letters are issued by Wendy Dumas, Fiscal Services Manger, or Mina Hernandez, Purchasing Manager, to department managers when internal control deficiencies are noted. The letters include information regarding the findings, recommended procedures for addressing the findings, and deadlines for remediation. Diana Keelen, CBO, follows up on the indicated date to verify findings were appropriately addressed.	Change in organizational structure in business services. Increased management oversight.

Documentation of Actual Control		Current Year Updates or Corrections
1)	Desired experience and skills needed for key positions, including key financial reporting positions.	Change in organizational structure in business services. Increased management oversight.
2)	All new hires are approved by the Superintendent, VP of Human Resources, and the appropriate department head. All individuals sign a Hiring Request Form to note their approval.	
3)	Background checks are performed on all new employees prior to hiring by the HR department using Live Scan, a service provided by the State of California Department of Justice.	
4)	All employees receive an annual performance review every May. The review is performed by the individual's supervisor and reviewed by the HR department. New employees receive a review every quarter.	
5)	Financial reporting management members receive adequate and ongoing training to stay current with new accounting and financial reporting matters. Diana Keelen is a member of CASB, Association of Chief Business Officers (ACBO) and the Business Officers of Southern California Community Colleges (BOSCCC). She attends semi-annual ACBO meetings which include accounting updates. Diana also checks GASB and FASB for updates on a quarterly basis. Wendy Dumas is a member of the Community Colleges Internal Auditors (CCIA). Mina Hernandez is a member of California Association of Public Procurement Officials (CAPPO) and Southern California College Procurement Administrators (SCCPA). A consultant, RPM Consulting has been hired to assist with GASB, OPEB and Pension updates/implications. The independent auditing firm, Crowe Horwath, also updates the CBO on related GASB and FASB updates. Additionally, the California Community College Chancellor's Office routine sends out updates that affect financial accounting & reporting. Diana Keelen is a member of this email listserve. Diana Keelen is a member of numerous list serves that provide information on IRS webinars, LACOE bulletins, State Controller updates, etc.	Change in organizational structure in business services. Increased management oversight.

Entity Level Risk Assessment Controls B1100-Assessment

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

ASSESSING RISKS OF MATERIAL MISSTATEMENT

	Documentation of Actual Control	Current Year Updates or Corrections
1)	Risks are identified and managed on an ongoing basis by Diana Keelen, CBO, Wendy Dumas, Fiscal Services Manager, and Debby Hackenberg, Accounting and Budgeting Supervisor. Identified risks are considered and incorporated into Debby's quarterly internal audits reviewed and approved by Wendy Dumas. A copy is sent to Diana Keelen, CBO.	Change in organizational structure in business services. Increased management oversight.
2)	The entity uses information technology tools to facilitate the monitoring of systems and financial results for indications of inappropriate system access, unexpected financial results or unusual activities. IT systems require user names and passwords to access the system and edit reports	
3)	Management performs quarterly internal audits of various departments to mitigate risk and identify internal control deficiencies. The reports are prepared by Debby Hackenberg and reviewed by Wendy Dumas. A copy is sent to Diana Keelen, CBO.	Change in organizational structure in business services. Increased management oversight.

Entity Level Information and Communication Controls

B1200-Info and Comm

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

A - Information Management

Documentation of Actual Control		Current Year Updates or Corrections
1)	The sufficiency of IT systems are assessed on an ongoing basis. Management periodically consults the IT department and contracts external consultants to assess systems and recommend methods to increase automation and efficiency	
2)	Financial information including budget vs actual numbers for all financial statement accounts is presented to the Board of Trustees on a monthly basis. Further on a quarterly basis the 311 Q is presented to the Board for review and approval.	

B - Internal and External Communication

Documentation of Actual Control		Current Year Updates or Corrections
1)	The CBO regularly reports financial information, including budget to actual reports, to the Board of Trustees at each quarterly meeting.	Change from monthly to quarterly reporting
2)	All financial reports are reviewed and/or approved by Diana Keelen, CBO.	
3)	Business policies and procedures, and the Organization's mission are made available to all employees on the college website and are available to the general public.	

Entity Level Monitoring Controls - B1300-Monitoring

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

A - Risk Assessment Evaluation

Documentation of Actual Control		Current Year Updates or Corrections
1)	Debby Hackenberg, Accounting and Budgeting Supervisor, performs quarterly internal audits of various departments. Wendy Dumas reviews and approves the internal audits. Her reports electronically sent to Diana Keelen, CBO, who is responsible for following up on and resolving any identified deficiencies.	Changed to Quarterly
2)	Internal audits include procedures that are explicitly designed to address the risk of fraud. Internal audit reports are prepared by Debby Hackenberg and reviewed by Wendy Dumas. Diana Keelen, CBO is sent the electronic report. If fraud is suspected the CBO and/or fiscal services manager will assess and perform a further investigation. If fraud is confirmed, the CEO, independent auditing firm and Board of Trustees is notified.	

B - Deficiency Management

Documentation of Actual Control		Current Year Updates or Corrections
1)	Findings identified by external auditors are reported to management and the Board of Trustees. Diana Keelen, CBO issues formal letters to the affected department head outlining the finding and deadlines for remediation. Remediations are reported to the Board of Trustees through the CBO	

C - Financial Monitoring

Documentation of Actual Control		Current Year Updates or Corrections
1)	Quarterly budget-to-actual reports are presented by Diana Keelen, CBO to the Board of Trustees at monthly meetings and are made available to the public through the College website.	Changed to Quarterly
2)	The budget is prepared by Diana Keelen and reviewed by CEO.	

Period End Financial Reporting Controls - B1700-Period End

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

A - General Ledger Integrity

	Documentation of Actual Control	Current Year Updates or Corrections
1)	Non-routine transactions are researched by Wendy Dumas, Fiscal Services Manager or Debby Hackenberg, Accounting and Budgeting Supervisor, and approved by Diana Keelen, CBO.	
2)	Access to accounting software is restricted by user name and password. The IT department monitors user rights. Policy regarding new accounting system users is completed by Diana Keelen, CBO. Monitoring and access in accordance with policy is completed by Debby Hackenberg, Accounting & Budgeting Supervisor.	Change: A new technical analyst position is in process of being hired to address user access.
3)	General ledger accounts are added, removed, or modified by Kim Carlson, Accountant Categorical. Wendy Dumas, Fiscal Services Manager, reviews a chart of accounts at each quarter end to identify if any new, removed, or modified accounts. The CBO is kept informed of any major chart of account changes.	
4)	The ability to create, post, and review journal entries is appropriately segregated. Journal entries can be posted by Lori Braverman (Accounting Assistant II), Karen J., (Accountant), Kim Carlson (Accountant), Debby Hackenberg (Accounting and Budgeting Supervisor). Kim reviews journals that affect accounts receivable. Wendy Dumas reviews all other journals. Diana Keelen review journals done by Wendy Dumas. Diana also review journals completed upon her request from other staff.	

B - Period Closing and Financial Statements

Documentation of Actual Control		Current Year Updates or Corrections
1)	Diana Keelen, CBO prepares a schedule that details deadlines for each step of closing the books and each individual's responsibility. The schedule is prepared based on the closing manual prepared and distributed by the county government. Weekly meetings are held subsequent to year end to ensure all accounting members are performing on schedule. Diana Keelen official notifies LACOE of closing the books.	In the future, this will be done by Wendy Dumas, Fiscal Services Manager with the exception of official notification to LACOE. This will be still be done by Diana Keelen.
2)	The CCFS 311 is prepared by accounting staff and reviewed by Wendy Dumas. Subsequent review and approval are performed by the CBO and Superintendent, who both sign the report to evidence their approval.	
3)	Audited financial statements are prepared by Crowe Horwath. Drafts are reviewed by Diana Keelen, CBO, with comments provided to the preparers. The final financial statements are reviewed and approved by Diana Keelen, CBO and Superintendent prior to release.	
4)		

Documentation of Actual Control

Contingencies

1)	Wendy Dumas, Fiscal Services Manager, is responsible for preparing the list of potential commitments and contingencies. The list is reviewed by Diana Keelen, CBO. Preparation of the list includes contacting the various department heads and external legal council.	Change from Debby Hackenberg to Wendy Dumas
2)	Legal opinions are obtained, when applicable, to determine probability and range of estimated losses and content for footnote disclosures.	

Subsequent Events

1)	Wendy Dumas, Fiscal Services Manager, is responsible for preparing the list of potential subsequent events. The list is reviewed by Diana Keelen, CBO. Preparation of the list includes contacting the various department heads and external legal council.	Change from Debby Hackenberg to Wendy Dumas
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Compensation - Internal control understanding: - B2060LEA-Compensation

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
<p>Payroll</p> <p>1) Changes to payroll master files (pay rates, employees, deductions, etc.) are approved in writing by someone independent of payroll disbursement. A second person reviews the master files changes to ensure they were properly approved.</p>	<p>Per Nina Serrao, HR technician, new hire forms are approved by Ed Knudson, Superintendent/President; TBD-Assistant Sup/VP of Admin Services; Mark Bryant, Vice President of HR; and Vice President of the department. The approval of Department supervisor/Dean and Vice President of HR are mandatory for employee change forms. For significant pay rate changes (e.g. promotions), the supervisor/Dean and admin VP's approval are also required.</p> <p>Changes are made through the HRS (Human Resources System) by the HR Technician after all changes have been approved by the authorized individuals.</p>	

02) Payroll transactions are initiated in accordance with District policies and procedures.

Hourly Employees: Supervisor/Deans/Directors/VPs will sign the timesheet before submitting it to payroll.
Salary Employees: Supervisor/Dean approved Absent Report before submitting. Electronic timesheets are used for Classified Employees - Classified/CMS submit electronic time sheets once a month to report exceptions (Vacation, Sick, PN, PB) for time keeping and extra pay/hours (Overtime, Comp Gained, Shift Differential Hours). The time is recorded by employee's and submitted for Supervisor approval. The Electronic time sheet is available as a report for Payroll upon approval by the supervisor. The time sheet report is supported by Absence Leave Request forms and Overtime Approval forms. and Full Time Certificated. Load Sheet (assignment for semester) for Adjunct and Overload (extra assignments) come from Academic Affairs, for Certificated Full Time Employees are also approved before submitting to Payroll. Federal Employees: Per Tina, the percentage of time funded by federal program is captured by Kim Carlson, Accountant Categorical-The Personnel Action Form (PAF) is filled out by the employee's department then sent through the Budget Office to have the budget number verified and set up in the People Soft system. The PAF is forwarded to HR and set up in the HRS system. A copy of the PAF is sent to payroll. Payroll does not change account numbers.

- 1. Correction- Classified/CMS submit electronic time sheets once a month to report exceptions (Vacation, Sick, PN, PB) for time keeping and extra pay/hours (Overtime, Comp Gained, Shift Differential Hours). The time is recorded by employee's and submitted for Supervisor approval. The Electronic time sheet is available as a report for Payroll upon approval by the supervisor. The time sheet report is supported by Absence Leave Request forms and Overtime Approval forms.**
- 2. Correction - load sheets coming from Academic Affairs.**
- 3. Correction- -The Personnel Action Form (PAF) is filled out by the employee's department then sent through the Budget Office to have the budget number verified and set up in the People Soft system. The PAF is forwarded to HR and set up in the HRS system. A copy of the PAF is sent to payroll. Payroll does not change account numbers.**

Stock Based Compensation		
03) Stock options, stock appreciation rights, stock awards, and other share-based awards are approved by the Board of Directors - both the initial plan, each grant and any modifications made to awards. When options, rights and awards are set-up or modified, someone verifies that they were approved.	Not applicable.	
Benefit Plans		
5) New benefit plan agreements and modifications are approved by authorized individuals, generally the Board with evidence of their approval in the minutes. Minutes are reviewed to determine that all benefit plans are properly recorded.	Not applicable	
6) An appropriate member of management reviews the proper accounting for benefit plans/awards. This would include consideration of whether stock awards are liability or equity awards and consideration of the plan type (A, B, C, or D – see ASC710-10-25) for rabbi trust. Documentation of the accounting method is documented and reviewed by a second person.	Not applicable	

B2060LEA-Compensation Continued
TRANSACTION PROCESSING AND RECONCILIATIONS

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Payroll		
<p>1) Transactions are properly recorded and processed in the payroll system.</p> <p>Tina Wilson: Student Workers, FTE Faculty, Administrators = once a month, different times</p> <p>Mary Crenshaw: Classified (twice a month), Confidential Management (twice a month), and Short Term Hourly (once a month)</p> <p>Maria (Vicky) Remp: Adjunct, Overload employees (once a month)</p>	<p>Prelist Process: Supervisor/Dean approves timesheet before submitting it to the payroll department. Tina Wilson, Maria Remp, and Mary Crenshaw, Payroll Technicians, review the timesheet. Payroll Technician will complete the Time Report, which is submitted to the District Office from the County Office, which lists all employees that will be included in the pay period (i.e. all active employees that will be paid via payroll). Once they complete the Time Report, they calculate the hours per the timesheet and the hours per the Time Report to ensure that they agree. The Payroll Technician will then enter the timesheet into the HR System, which is a County Portal that houses each District's payroll activity. In addition, the Payroll Technician enters the control number of hours as a check to verify that there were no human errors when entering the timesheets into HRS. Variances are immediately investigated. Further, the County runs Exception/Verification Reports after all timesheets have been entered to identify any issues. The Payroll Technician will compare the Verification Report to the timesheets to ensure that all agree. HR System allows two days to correct the errors identified in the Verification Report, if any, before it runs payroll for payroll disbursements.</p> <p>Final Register: The District receives from the County a report called the Payroll Audit Register (details of who is paid); the 6600 which is a summary of the account codes (sent to Business Services); and Detailed Deductions Report (sent to Benefits). Tina, Maria, and Mary compare the payroll register to the Time Report (Pre list) and verify that no variances exist between the Time Report/Time sheets and the Final Payroll Register.</p>	

<p>2) The computation of accrued payroll, bonuses, and other related liabilities (compensated absences, taxes, benefits, etc.) and resulting payroll expenses are reconciled with the general ledger and reviewed and approved by an authorized individual. ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **</p>	<p>Accrued payroll is recorded at year-end as part of closing process. Sherri Burkholder, Clerical Assistant III, processes journal entry for accrual. Diana Keelen, CBO reviews every journal entry.</p>	
<p>3) For outsourced payroll functions, Service Organization Controls Reports are obtained and reviewed by management for control deficiencies and user control considerations. (IT Application Control)</p>	<p>N/A</p>	
<p>Stock Based Compensation</p>		
<p>4) All share based awards are set-up and tracked on a subsidiary system by an individual who receives proper notification of awards, exercises, and other activity and related details for proper recognition. Number of awards, dates of grants, strike prices, etc. are all vouched to supporting documentation to ensure they are recorded in the proper period.</p>	<p>Not applicable</p>	

<p>5) Compensation expense for each new or modified award is calculated using an appropriate fair value model (i.e., Black-Scholes, lattice, etc.) with supportable assumptions (risk free rate, dividend rate, expected life, market values for volatility, etc.). The expense calculations are reviewed by a supervisor for reasonableness and appropriateness of assumptions.</p>	<p>Not applicable</p>	
<p>6) Management has an appropriate tracking system for their "APIC Pool" or their tax status on their stock option exercises to ensure that the tax expense/benefit on stock option exercises is appropriate.</p>	<p>Not applicable</p>	

Benefit Plans		
8) Compensation expense and accrual is calculated based on the terms of the plan document and reviewed for accuracy by an appropriate individual.	Not applicable	
9) Obligations and assets held in custody related to other post retirement healthcare benefits and rabbi trusts as recorded on the general ledger are periodically reconciled to supporting calculations or information, by an individual that does not have conflicting duties. ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **	Not applicable	
10) If actuaries or other third parties are utilized, the methodology and assumptions used are evaluated by management to determine that they will result in measurements that are in conformity with applicable accounting standards. In addition, the data provided to the actuaries or other third parties has been reviewed to determine accuracy and completeness. (This includes data regarding plan participants and plan obligations, as well as plan assets and their fair values.)	Not applicable	

Self- Insured Medical

1) A liability is established monthly for claims incurred but not yet paid that is reviewed by someone other than the preparer and determined to be reasonable in relation to entity's claim history.	Not applicable	
2) For third party administrators, SAS 70/ SSAE 16 reports are obtained and reviewed by management for control deficiencies and user control considerations. (IT Application Control	Not applicable	
3) Claim reports are reviewed by a knowledgeable individual before payment occurs. This review is documented and reviewed by a second person as part of the reconciliation process.	Not applicable	

Inventory - Inventory Valuation Controls - B2200 & B2205- Inventory

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Valuation and Review		
1) The unit cost master file is updated and changes are reviewed timely, or manual pricing is independently double-checked, based on vendor invoices and current price lists/catalogs.	Master control file is updated as the bookstore receives vendor invoices. As merchandise is received, the accompanying invoice is compared to the original purchase order by receiving clerk. The invoices are also verified before A/P issues checks. Purchasing is performed independent of receiving and Purchase Order and invoice are reconciled.	
2) Sufficiently well-designed input/output controls over computer-processed inventory data are in use.	In order for inventory to be input into the computer system by receiving, vendor and item must be input to PRISM inventory system by 1 of 3 purchasing staff (all full-time employees). When a purchase order is created, a copy is filed with receiving. As merchandise arrives, receiving clerks (2 full-time) trace invoices to the purchase order. Invoice is stamped and initialed by clerks and copy is attached to PO. Any discrepancies are brought to the attention of Dawn McIntosh. (Director of Aux Services). Once received, clerks add inventory received PRISM.	

3) Material purchase price and labor variances are reviewed regularly and reasons for significant variances are investigated. Periodic updating adjustments to standard costs (for example, for FIFO layering) are approved timely by someone independent of the purchasing, production and payroll functions.

All stock adjustments or write-offs are initiated by staff and approved by Dawn McIntosh.

		B2200 & B2205- Inventory Continued
4) The Company periodically analyzes inventory quantities, aging of inventory by product, replacement costs, sales backlog and trends to identify goods that may have a market value that is lower than cost and provides appropriate valuation allowances.	Closing report and inventory variance report are prepared once a month and reviewed by Dawn McIntosh.	

Inventory Physical Count

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Perpetual System and Cycle Counts		
1) A well-designed perpetual inventory system is in use and adequate controls are in place to assure timely recording of incoming and outgoing product. Perpetual records are kept by someone who does not have responsibility for the inventory stock.	Currently, AVC utilizes PRISM, a perpetual inventory system (FIFO). Purchasing and receiving are independent functions. PO information is entered into PRISM by purchasing department. PO's are all authorized by bookstore manager. Receiving enter quantities received into PRISM and verify that invoice/packing slip match purchase order. A monthly variance report is produced and reviewed by Dawn McIntosh.	
2) Periodic cycle counts are performed and differences are investigated and resolved timely.	The variances related to the count are investigated and resolved by Dawn McIntosh (Director of Auxiliary Services).	

Physical Count Set- Up and Procedures		
<p>1) The inventory count is adequately planned and staffed. Employees have written instructions and are properly trained and supervised.</p>	<p>Once a year, during Spring Break, bookstore is closed and inventory is frozen for a count. Most staff have multiple years of experience performing the count which is supervised by Dawn McIntosh. In addition to annual count, receiving area is frozen in October (6 months after count) for an additional count. The receiving clerks who are familiar with the area perform the count under supervision of Dawn McIntosh. Per conversation with receiving clerks, this count is performed ensure that inventory, off store floor is accounted for.</p>	
<p>2) Shipping, receiving and other movement of goods (including transfers between locations) are suspended or adequately controlled during physical counting (or between an interim physical count and year-end).</p>	<p>Inventory is frozen for the inventory count, as the entire campus is closed for the Spring break.</p>	

		B2200 & B2205- Inventory Continued
3) Obsolete, slow-moving and damaged goods are physically segregated and identified periodically and during the physical count.	Damaged goods are returned to supplier upon arrival, receiving clerks (Chris and Sandra) notify vendor and determine if they would prefer to re-send or issue credit. In-store damaged items are separated from regular items via a separate storage bin and discounted. Staff are instructed to bring in-store damaged items to Dawn and complete a write off request.	
4) Inventories on the premises owned by third parties are segregated or separately identified.	No third party consignment goods are sold. However, bookstore sells campus performing art tickets on behalf of theater. The tickets are not admitted into inventory. The bookstore merely collects funds to remit to the theater.	
5) The inventory is counted by employees who are familiar with the products and are independent of inventory recordkeeping. If weighing or measuring devices are utilized, the accuracy of these items are tested by employees prior to use.	Full-time employees perform the count. They include receiving clerks, head cashiers, and purchasing clerks all who are very familiar with operations.	
6) The inventory count is supervised by employees who are independent of custodial responsibility, shipping, receiving and purchasing.	Dawn McIntosh supervises the inventory count. While supervisor of bookstore, he is independent of the custodial responsibility.	
7) he inventory counts are independently double-checked by a second employee X__100% or _____on a test basis and misstatements are adjusted.	The actual counting process is performed by teams of 2 people. One person performs a physical count and writes the number on a post-it note then next verifies the count with scanner which downloads the data inventory system.	

<p>8) There is an independent accountability for used, unused and voided inventory tags/count sheets that is adequately controlled through the final priced inventory.</p>	<p>Stickers distinguish new vs. used textbooks as well as separate scannable bar codes.</p>	
<p>9) Hash totals (of quantities or items), or other methods, are used to check whether inventory counts have been input accurately into the computer.</p>	<p>An automated system provides variance report (master control report). The report is analyzed by Dawn McIntosh upon completion of the inventory count and at monthly close.</p>	

Inventory - Inventory Valuation Controls - B2220-LEA - Cash

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Reconciliation and Review		
<p>1) Bank general ledger accounts are reconciled to bank statements on a timely basis (daily, weekly or monthly depending on volume of activity). Reconciling items are clearly identified on a reconciliation form and followed up on a timely basis. Reconciliations are regularly reviewed and approved by a supervisor. ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **</p>	<p>Una Goff, Accounting Assistant III, performs bank reconciliation on a monthly basis. Reconciliations are regularly reviewed and approved by Debby Hackenberg, Supervisor of Accounting and Budgeting. Una performs monthly reconciliations of Cash in County Treasury account and Debby reviews it to ensure that outstanding items, including warrants, clear the account regularly.</p>	<p>Change from Janet Chapman to Una Goff</p>
<p>2) The Company receives the bank statements directly from the bank unopened and scans activity for anything unusual and any unusual items are investigated and resolved.</p>	<p>Una downloads the bank statement online. Una will also received bank statement from bank unopened after month-end. Debby reviews the bank statements for unusual activities as part of the reconciliation process.</p>	<p>Change from Janet Chapman to Una Goff</p>
<p>3) The subsidiary accounts payable ledger is reconciled to the general ledger regularly and differences investigated and resolved timely. These reconciliations are routinely reviewed and approved by a supervisor. ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **</p>	<p>The subsidiary accounts payable ledger is reconciled to the general ledger regularly by Una on a monthly basis. Debby reviews and approves the reconciliation.</p>	<p>Change from Janet Chapman to Una Goff</p>
<p>4) Related party payables are periodically reconciled to the related party books and records. These reconciliations are routinely reviewed and approved by a supervisor.</p>	<p>N/A</p>	

Segregation of Duties

<p>1) Check signers are not check preparers.</p>	<p>Checks are prepared by Lori Braverman and Virginia Garcia, Accounting Assistants IIs, and the check is signed by Diana Keelen, CBO, Vice President Academic Affairs and Dr. Erin Vines, Vice President Student Services; Mark Bryant, Vice President of HR; and Ed Knudson, Superintendent/President. Two signatures being required in most cases.</p>	
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		B2220-LEA - Cash Continued
2) Employees who reconcile due from bank accounts are restricted from making general ledger entries or disbursing (wire transfer) funds from due from bank accounts.	Janet performs Bank Reconciliations monthly, and she has authorization to make G/L entries. However, Debby will review bank reconciliations on a monthly bases and all the journal entries routinely to make sure there are no unusual items.	
3) There is appropriate segregation of duties between individuals involved in input, verification and approval functions of the wire transfers.	Both Debby and Diana can initiate and approve wires. If Debby initiates, then Diana has to approve/release the wire. If Diana initiates, then Debby has to approve/release the wire. Janet reviews the check list while preparing the bank reconciliation. Bank reconciliation is reviewed on a monthly basis to make sure there is no unauthorized wire transfers.	In the future, Wendy Dumas will be initiating and approving wires in addition to Debby and Diana.
4) Signed checks are mailed by employees who are independent of disbursements and accounts payable functions.	Signed checks are mailed out by Virginia and Lori, who perform AP functions. However, Debby reviews the bank statements, which includes all cleared checks, for unusual activities	
5) Vendor invoices are processed by accounts payable clerk(s) who is (are) independent of purchasing, receiving and cash functions (not an authorized check signer or not responsible for posting of cash receipts)	Virginia and Lori process vendors' invoices and are both independent of cash and purchasing.	

6) The accounts payable clerk does not have the ability to post general journal entries.	Both Virginia and Lori cannot make direct journal G/L entries.	
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Monitoring and Oversight

1) The entity establishes timely control over all invoices received (for example, they are promptly entered into a purchases journal and subsidiary ledger).	Upon receiving the invoice, Virginia and Lori, match the invoice with related PO from the purchasing department. Matched invoices will be paid and will be entered into accounting system according to details on PO using the date on invoice.	
2) Restrictions on cash are monitored.	Kim Carlson, Accountant, monitors all restrictions on cash based on agreements and on schedule of payments	

3) Compensating balance arrangements are identified and monitored.	Diana Keelen reviews and signs all requests for comp time and over time.	
		B2220-LEA - Cash Continued
4) The warrant register is reviewed and matched to the warrants and all the back up before the warrants are mailed out to the vendors.	Warrants received by the District from the County Office are reviewed and matched to the warrant register to ensure that all warrants are appropriately accounted for before that are mailed out to the vendors. This process is performed by Virginia and Lori.	Change with Banner implementation: Warrant register reports will be available for download from the Banner systems.

Safeguarding of Cash/ Bank Accounts

1) Data files are protected from unauthorized access through the establishment of user ID's and passwords which are periodically reviewed.	Each authorized personnel has their own ID and password to log into the Company's bank account as well as a authentication token with a numerical password that expires every minute. Diana is the administrator; Debby and Una are users who can view but not make any changes.	In the future, Wendy Dumas will have access.
2) Bank signature cards are updated as appropriate upon personnel changes.	The company will update bank signature at December Board meetings on an annual basis. Also, Diana will notify the bank upon any personnel change.	
3) Management periodically evaluates institutions where it has deposits for credit concerns. Uninsured balances are maintained only at institutions with acceptable credit ratings.	Management banks with Bank of America, which has an acceptable credit rating.	Change: Banking is currently being evaluated by Diana Keelen to allow for fiscal accountability in issuing vendor payments and receiving state funding directly as opposed through LACOE.

Prevention of Unauthorized Disbursements

EFT and Wire Transfers		
1) EFT transactions may only be initiated by authorized individuals.	EFT transactions may only be initiated by Diana and Debby.	In the future, Wendy Dumas will be initiating and approving wires in addition to Debby and Diana.
2) Documented approval for a wire transfer is required to be obtained before the wire is executed. Call back procedures are used to validate the authenticity of the individual requesting the wire. Phone requests are accepted only for those customers for whom the Bank has a completed wire transfer agreement on file and a PIN or pre-authorized code has been assigned.	Diana's or Debby's approval is required before the wire is executed. Janet reviews the wire list while she prepares the bank reconciliation.	In the future, Wendy Dumas will be initiating and approving wires in addition to Debby and Diana.
3) Prior approval for wire transfers in excess of pre-set limits are required.	Every wire transfer needs Diana or Debby's signature. There is no pre-set limit.	In the future, Wendy Dumas will be initiating and approving wires in addition to Debby and Diana.

Checks/ Purchase Orders		
4) Entity has control procedures in place to prevent unauthorized checks from clearing the bank or unauthorized amounts.	<p>Requisitions are not processed without proper authorization. Approval history is maintained in the A/P system</p> <p>Una reviews for unauthorized check while she prepares the bank reconciliation. Only accounts payable, Lori or Virginia, can initiate check but cannot sign the check. Checks are also reviewed by Debby while she reviews the bank reconciliation. Check signors are different that those that enter transactions or reconcile bank statements.</p>	
5) Purchases require approved purchase order or written approval by authorized individual.	<p>Buyers review purchase orders for reasonableness. Vendors notify Purchasing of inconsistencies with their product.</p> <p>Ed Knudson, Superintendent/President; Diana Keelen, CBO; Mark Bryant, Vice President Human Resources; and TBD, Executive Vice President Academic Affairs, and Dr. Erin Vines, Vice President Student Services, are authorized to sign purchase orders for all District funds and accounts Diana Keelen, CBO's stamp is required as a final confirmation.</p> <p>Wendy Dumas performs budget checks on requisition forms submitted to the department. Purchase requisitions are then approved by Wendy Dumas or Diana Keelen as official Budget Approval. Further, the requisition form must be signed by the Directors, VP/President after a certain amount. And then the PO is created after all approvals.</p>	
6) Blank checks are prenumbered and are maintained in a secure location and sequence is accounted for.	Blank checks are maintained in a secure place in a safe that is locked at all times.	
7) A policy is in place outlining requirements for dual signatures on checks.	<p>A/P matches signatures to the POs and authorized signature list.</p> <p>One signature required for A (payroll) and B (expenditures) warrants; certain types of checks require dual signatures. Auxiliary Services funds require two signatures. The checks are always signed by D. Keelen, E. Knudson, Dr. E. Vines, or M. Bryant.</p>	

Vendor Files		
8) AP is required to run and review a prelist of their data entry. Duplicated payment cannot be made since the system prevent payment over PO amount.	Angie Musial, Buyer, reviews and add approved vendors to the accounts payable approved vendor master file and accounts payable detail file, and changes are independently reviewed. Further, Budget staff check accuracy and appropriateness of budget code through the Requisition Form (which requires Budget approval by Diana Keelen). When purchase orders are created in the system, the system only accepts validated budget codes.	Change add: Denise Anderson, buyer

Prevention of Duplicate Disbursements

1) The computer system does not allow an invoice number to be posted twice. (IT Application Control)	Duplicated invoice numbers are automatically prevented from entering into the computer system.	
2) Original invoices and supporting documents are canceled to prevent duplicate payment.	AP is required to run and review a prelist of their data entry. Duplicated payment cannot be made since the system prevent payment over PO amount.	

Classification

1) Invoices include notations by authorized personnel relative to the a. Posting of payables to the proper period. b. Posting of the related expense to the proper account.	Budget reviews the object codes on POs and A/P reviews their data entry on prelists. Invoices are input into system base on account name on PO and date on invoices.	
2) Financial statement presentation for cash is reviewed for proper reporting of overdrafts as liabilities.	At period end, AP will review all open POs and unmatched documents to determine if a liability exists that needs to be recorded.	

3) Management verifies related party payables are properly classified, i.e., long-term versus short-term, distributions versus receivable, etc.	N/A	
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Inventory - Inventory Valuation Controls - B2220-FDN- Cash

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Reconciliation and Review		
1) Foundation Bank accounts are reconciled monthly. The Reconciliations are reviewed and approved.	Third-Party, Nancy Parks receives bank statements and prepares cash reconciliations. Upon month end, reconciliations are compared to TB by Sylvia Castro (accounting assistant), then reviewed by Diana Keelen, CBO.	Change: There is a current reorganization that will assign the accounting assistant to the CBO starting in September 2015
Segregation of Duties		
1) Check signers are not check preparers.	Checks are prepared by accounting staff. Then signed Executive Director and at least board member.	Change: There is a current reorganization that will assign the accounting assistant II to the CBO starting in September 2015
Monitoring and Oversight		
1) Scholarship disbursements are approved by the Foundation after determination by the screening committee.	Disbursement warrants for scholarships are processed by Sylvia Castro (Foundation Accountant) and receive a signature from Bridget Razo (Executive Director) and a board member. Check are issued directly to school of award.	Change: There is a current reorganization that will assign the accounting assistant to the CBO starting in September 2015. The financial aid tech I will now report to the Financial Aid Office.
2) The warrant register is reviewed and matched to the warrants and all the back up before the warrants are mailed out to the vendors.	Warrants are issued out of Quickbooks as bills. Sylvia Casto has a monthly binder that contains three key pieces of information. a. The actual invoice. b. Request for Foundation funds. c. Copy of the check	
Safeguarding of Cash/ Bank Accounts		
1) Data files are protected from unauthorized access through the establishment of user ID's and passwords which are periodically reviewed.	The Quickbooks program is on a secure network drive with the college mainframe. Access to the drive is limited to Sylvia's username and password.	
Prevention of Unauthorized Disbursements		

1) Invoices are paid using direct pay.	Check are cut and sent directly to suppliers based on approved "Request for Foundation Funds" and accompanying invoice.	
2) Purchases require approved purchase order or written approval by authorized individual.	Purchases are requested on from "Request for Foundation Funds" and must be approved by Department Head, Executive Director of Business Services, & Executive Director of the Foundation.	
Prevention of Duplicate Disbursements		
1) The computer system does not allow an invoice number to be posted twice. (IT Application Control)	Quickbooks indicates that a number has been previously used to notify the user of a possible mistake	
Classification		
1) Controls over the AP transaction posting process.	AP is posted simultaneously when check is cut (see step above).	

Financing - B2240-Financing

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Approvals		
1) Borrowings are authorized by shareholders, Board of Directors, Finance Committees, or other appropriate individuals.	All borrowings need to authorized by Board of Trustees.	
2) Approval of hedges used in complex/structured financial instruments is required by shareholders, Board of Directors, Finance Committees, or other appropriate individuals.	Use of complex/structured financial intruments requires BOD approval.	

Interest Calculation

1) Accrued interest payable/interest expense on borrowings is computed by IT system to allow for reliable expense recognition and valuation of accrued interest payable. Management periodically verifies the accuracy of system calculations for all borrowing types. (IT Application Control)	Accrued interest payable / interest expense is computered by county office. AVC obtained the memo on accrued interest payable / interest expense from the county office, and Diana reviews interest expense to ensure it is accurate.	
2) Cost of funds for each borrowing category is computed periodically, and significant variances from expected costs are identified and followed up. (IT Application Control)		

Reconciliation and Classification

<p>1) Borrowings shown on the general ledger are reconciled to statements on a regular basis. These reconciliations are routinely reviewed and approved by a supervisor. ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **</p>	<p>The county post the transaction. Lori, or another accounting staff prepares the borrowings reconciliation. Diana routinely reviews the reconciliation.</p>	
<p>2) Appropriate segregation of duties exists between individuals involved in approving borrowings and recording/reconciling the accounts.</p>	<p>Board of Trustee, approves the borrowings; County make records. Diana reviews the borrowing, then send to County to cut the check and make the GL entries.</p>	

B2240-Financing Continued

3) Classification of long term debt is reviewed by authorized individual and compared with appropriate loan documentation.	Diana reviews classification of long term debt on an annual basis as part of his review of the financial statement preparation process.	
4) Accrued interest payable on borrowings is balanced from the subsidiary ledger to the general ledger on a periodic basis by an individual with no conflicting duties. These reconciliations are routinely reviewed and approved by a supervisor. (IT Application Control) ** Consider relying on controls under the General Ledger Reconciliation Principal in workpaper B1700. **	Wendy Dumas reconciles accrued interest payable on borrowings on an annually basis. Diana Keelen reviews the interest payable.	Change in organizational structure in business services. Increased management oversight.
5) Accrued interest payable/interest expense on borrowings is reconciled to the lenders' statements to validate expense recognition and valuation of accrued interest payable. These reconciliations are routinely reviewed and approved by a supervisor.	Lori, or other staff accountant in accounting office, reconciles the interest payable/interest expense on borrowing to the lender's statement. Wendy Dumas, Fiscal Services Manager, reviews the reconciliation.	Change in organizational structure in business services. Increased management oversight.

Debt Covenants

1) A system to monitor debt covenants on an ongoing basis is established and covenants are calculated and approved in writing by an authorized individual.	n/a - no debt covenant	
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Related Parties

1) Related party transactions are properly authorized by appropriate individuals.	n/a - no related party transactions.	
2) Related party notes payable are periodically reconciled to the related party books and records. These reconciliations are routinely reviewed and approved by a supervisor.		
3) There is a formalized system in place to aggregate information on loans to related parties. Related party loans are separately coded on the loan trial balance, approved by the Board and properly underwritten.		

B3040-Fund Balance

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Classification of Fund Balance		
1) The Government has a board approved GASB 54 policy.	Policy drafted and in process by Diana Keelen, CBO.	
2) Management formally reviews the classification of fund balances at year end.	Diana reviews the classification of fund balances at year end.	

Classification of Net Assets

1) Management formally reviews all classes of net assets as part of the financial reporting process (expendable, non-expendable, invested in capital assets net of related debt, etc).	Diana reviews the TB for all accounts on daily basis, and net assets is a party of the review	
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Beginning Equity

1) The Government periodically reviews equity accounts to ensure beginning amounts tie to the prior year audited figures.		
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2) Entries are not made to fund equity/net assets without proper support and approval by management of the governmental unit.	Diana reviews the classification of fund balance adjustments at year end.	
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Reconciliations, Classifications and Review - B3060-LEA - Cash Acct

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Cash in County Treasury		
1) Cash in County Treasury reconciliations, received from the County Office of Education, are reviewed by District staff on a monthly basis ensuring that they are recognized in the proper period and any unusual relationships or trends are investigated and resolved.	Wendy Dumas, Fiscal Services Manager, reviews all reconciliations received from the County to investigate unusual relationships, Diana Keelen, CBO, reviews Debby's work.	Change from Debby Hackenberg to Wendy Dumas
2) Cash in County Treasury balances are reconciled to the general ledger on a monthly basis, based on the Cash in County Treasury reconciliations received from the County Office of Education.	Done by LACOE in September after books are closed. LACOE provides cash balances in PeopleSoft. All cash balance requests can be emailed to Surendranath_Andrew@lcoe.edu (562-922-6849). He will need an address in which to mail hard copy in sealed envelope (will not email or fax).	Change with new system implementation. Cash balance reporting will be available in Banner. A report is already in process of development.
3) Cash in County Treasury reconciliations are promptly reviewed and approved by a supervisor.	Wendy Dumas reviews year end cash reporting	Change from Debby Hackenberg to Wendy Dumas

Cash with Fiscal Agent

1) Cash with Fiscal Agent balances are reconciled to the general ledger on a monthly basis ensuring that they are recognized in the proper period and any unusual relationships or trends are investigated and resolved.	Cash with Fiscal Agent transactions and reconciliation is prepared by a member of the accounting staff and reviewed by Diana.	
2) Cash with Fiscal Agent reconciliations are promptly reviewed and approved by a supervisor.	See above.	

Cash in Banks (Revolving accounts, clearing accounts, other bank accounts)

<p>1) All bank account balances are reconciled to the general ledger on a monthly basis ensuring that they are recognized in the proper period and any unusual relationships or trends are investigated and resolved.</p>	<p>Una Goff, accounting assistant III, does bank reconciliation on a monthly basis. Reconciliations are regularly reviewed and approved by Debby Hackenberg, Supervisor of Accounting and Budgeting.</p>	<p>Change from Janet to Una</p>
<p>2) Bank account reconciliations are promptly reviewed and approved by a supervisor.</p>	<p>See above.</p>	

Reconciliations, Classification and Review - B3060-FDN-Cash Acct.

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Classification of Fund Balance		
1) Monthly, the Bank accounts are reconciled. These account reconciliations are independently reviewed and approved.	Reconciliations are prepared by third party Nancy Park (Computer on Wheel). She is e-mailed a copy of the bank statements by Sylvia Castro (Foundation Accounting Assistant).	
2) Bank account reconciliations are promptly reviewed and approved by a supervisor.	Reviewed by Foundation Accounting assistant.	

Other Local Fees - B3110-LEA-Other Local Fees

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Approval and Collection of Payment		
1) Cash receipts list is prepared by someone independent of accounts receivable	<p>Bookstore: Each cashier in the bookstore prepares a cash out report at the finish of their shift. Head cashiers will verify that cash drop matches the report from cash register. Cashier and head cashiers both initial the deposits and are independent of A/R.</p> <p>ASO: Students workers receive cash at ASO office and issue hand written, pre-number sequenced receipts. Upon close they complete and initial cash out form which is checked by management. All are independent of A/R.</p>	
2) Deposits are tracked and secured until pick up and are independent of A/R functions.	<p>Bookstore, Cashier's Office: Tammy Steffer (accounting assistant III)Bookstore) and Lisa Diaz (student accounting technician, Cashier's Office) prepare deposits and do not perform A/R functions. Deposits held in safe until they are picked up by Brinks Security (armed cash handlers). The deposits are recorded in deposit log, safe log & Brinks log.</p> <p>ASO: Nancy Bundell (accounting assistant II, ASO) prepares deposits and performs no A/R functions. Deposits are taken down the hall to Cashier's office where they are held in the safe until Brinks picks the monies up from the Cashier's Office.</p>	
3) The mail is opened and a cash receipts list is prepared by someone independent of accounts receivable or billing or a "lockbox" is used. The cash receipts journal is compared daily to this list	Mailed payments are opened by Lisa Diaz (student accounting technician) in the cashier's office. Lisa is independent of A/R & billing (business services office). The cash receipts are entered into the Banner system upon acceptance.	

<p>4) Pre-numbered cash receipt tickets are issued for all cash received and method of payment is indicated on the receipt.</p>	<p>ASO: Uses pre-numbered cash receipts tickets which indicate amount received. One copy is given to student, the other is remitted as cash out process and checked by Nancy Blundell.</p>	
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3110-LEA-Other Local Fees Cont.

<p>5) Daily cash register close out procedures exist for all areas where cash transactions occur. The procedures include a formal sign off by the employee following the procedures, and a formal reviewer.</p>	<p>Bookstore: Cashier's check out and remit cash drop along with till report. Then head cashiers (full-time employees) reviews and initials report.</p> <p>Cashier's Office: Daily register is closed by Lisa Diaz (student accounting technician) and submitted to the accounting office where it is reviewed by the Janet Chapman.</p> <p>ASO: The student cashiers sign their cash out Nancy Blundell (accounting assistant II), will review the work the close.</p>	

Transaction Processing and Reconciliations

<p>1) Management reconciles fees received to the general ledger on a timely basis and this reconciliation is reviewed and approved by the appropriate individuals.</p>	<p>Bookstore: Tammy Steffes (accounting assistant III) reconciles fees and remits to accounting office where Janet Chapman (accounting assistant III) will perform reconciliation. Upon review by Debby Hackenberg (accounting and budgeting supervisor) manual journal entry is input to PeopleSoft G/L.</p> <p>ASO: Nancy Blundell (accounting assistant II) reconciles fees and remits to accounting office where Janet Chapman (accounting assistant III) will perform reconciliation. Upon review by Debby Hackenberg (accounting and budgeting supervisor) manual journal entry is input to PeopleSoft G/L.</p> <p>Cashier's Office: Lisa Diaz (student account technician) reconciles entrance fees (which include class/health/parking /tuition/material fees) and remits to accounting office where Janet Chapman (accounting assistant III) will perform reconciliation. Upon review by Debby Hackenberg (accounting and budgeting supervisor) manual journal entry is input to PeopleSoft G/L.</p>	
<p>2) Cash is transferred to Cash in County Treasury</p>	<p>All: Cash remitted is to County Treasury via Metro Courier (county pick-up). jet bag county courier</p>	
<p>3) Reconciliations over cash accounts are performed monthly</p>	<p>All: Cash accounts are reconciled by Janet Chapman (accounting assistant III) monthly and reviewed by Debby Hackenberg (accounting and budgeting supervisor)</p>	

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Cash Receipts		
1) The mail is opened and a cash receipts list is prepared by someone independent of pledges receivable or billing. The cash receipts journal is compared daily to this list.	Mail related to grants is opened by Kim Carlson (categorical accountant) who is independent of pledges receivable and billing (which is Sylvia)	
2) Cash deposits are made regularly by someone independent of pledges receivable.	For the foundation, cash deposits are made by one person who is independent of pledges receivable. Sylvia Castro (foundation assistant) confirms deposits are made by verifying bank statements	
3) Receipts are logged or evidenced by numerically controlled forms that are matched to bank deposits and differences investigated timely.	For contributions made in person, there is a drop box maintained by a gift processor which has a lock. The gift processor enters contributions as received into a spreadsheet, and make deposits of the contributions. To ensure that contributions are properly recorded, a batch report is produced. One copy is given to Silvia Castro (Foundation Assistant) who reconciles to bank, another copy is given to data processing so that proper tax information is provided to donor.	
4) Periodic statements are sent to donors; disputes and discrepancies are investigated and resolved timely by someone independent of cash receipts.	As a qualified tax exempt 501 (c)(3) nonprofit, Antelope Valley College provides all donors with IRS tax documentation. The letters are prepared by Leyla Barber (Foundation Assistant) from list approved by Bridget Razo (Executive Director). Letters sent for <\$1000 use Ms. Razo's electronic signature, \$1000-\$5000 are physically signed by Ms. Razo, >\$5000 are physically signed by Ms. Razo & Ed Knudson, President).	

Revenue (Contribution and Grants) - B3240-Revenues

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

B3240-Revenues Cont.

Reconciliation

<p>1) The subsidiary pledges or grants receivable ledger is reconciled to the general ledger regularly (by someone independent of cash receipts) and differences investigated and resolved timely.</p>	<p>Grants are reconciled to the G/L by Kim Carlson (categorical accountant). She is responsible for about 60 grants which the college participates. There are also about 15 people on-campus called program managers. They are responsible for one or multiple grant programs and prepare reconciliation that are check monthly by Kim Carlson. Kim is independent of cash receipts and once she is comfortable with grants Debby Hackenberg will confirm that G/L is accurate as well.</p>	
<p>2) The subsidiary pledges or grant revenue ledger is reconciled to the general ledger regularly (by someone independent of cash receipts) and differences investigated and resolved timely.</p>	<p>Grant revenue is reconciled to the General Ledger by Kim Carlson. She maintains records of 60 different grants the college receives. Kim Carlson does not have direct access to grant funds. However, she has access to G5, the Federal Government maintained on-line grant distribution site. Per her request, certain federal funds (SOLO, TRIO STAR, STEM-COOP, Work-Study, Title 5) are released by her to Bank of America account which she does not have access. They are then distributed through People Soft to the correct account code.</p> <p>Each month Debby Hackenberg reviews the grant revenue prior to preparing the monthly financial statements. Diana Keelen will approve the financial statements. The financial statements are reviewed by Board of Trustees and then posted on AVC website so the general public may access at anytime.</p>	

<p>3) An individual in the Development Office of the organization has been designated to review and identify any planned gifts for which the Organization is a beneficiary. Adequate support is maintained to determine what balances need to be recorded. This is reviewed by someone in Accounting.</p>	<p>Record pertaining to planned gifts are kept in database called Donor Perfect. Planned gifts are supported by attorney letters stating the donor intention. Silvia Castro (foundation assistant) maintains records related to planned gifts and handles the accounting which is reviewed by Bridget Razo.</p>	
<p>4) Records and other supporting documentation (thank you cards, pledge cards, and other donor correspondence) are kept of all donations, including the donors name, amount, date of gift, and any related restrictions or conditions for all contributions, gifts, etc. received.</p>	<p>The donor file includes contact information, biography, news articles pertaining to donor as well as donation history and contribution records.</p>	
<p>5) Development office personnel identify and document the nature of all conditional pledges received from donors. Donor "conditions" are reviewed by appropriate personnel on an annual basis to determine proper accounting treatment and financial statement disclosures.</p>	<p>Conditions or restrictions are tracked on and reviewed by Bridget Razo (executive director) and by the office of Institutional Advancement and Foundation.</p>	

		B3240-Revenues Cont.
6) Agreements for sponsorships are reviewed to determine whether they are actual sponsorships in which the revenue is recognized over the sponsorship period or whether they are simply a contribution and recognized at the time of the pledge/gift.	Sponsorships are obtained by Brenna Humann (Development Officer). Then they are reviewed by Bridget Razo. Revenue is recognized when upon receipt of contribution.	
<u>Valuation</u>		
1) Contributions of non-cash gifts are recorded at fair value.	When donors contribute non-cash, they are asked to provide the value of the contribution. As long as it seems reasonable, AVC will accept donor stated fair market value and record as such. Some non-cash donations are accompanied by original purchase receipts and current marked price via eBay. In order for a non-cash to be accepted it must be approved by AVC Dean or Department head & approved by AVC foundation Executive Director. Recording the gifts on the system follows the same controls as all other journal entries as documented at B1700	
1) Accounting records are structured in a manner that allows restricted contributions to be tracked separately.	There are 190 different coded accounts for contributions. They include restricted (temporary or permanent) and unrestricted. Various different restrictions are maintained by Office of Institutional Advancement and Foundation.	

<p>2) A designated individual is responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc., received or pledged.</p>	<p>Grant compliance is maintained by Kim Carlson who reviews all grants for compliance. She verifies that program managers are in compliance. Kim's worked is reviewed by Debby Hackenberg & Wendy Dumas prior to preparation of monthly financial statements. Kim periodically reviews the Program Handbook/Guideline and updates the manual as needed.</p> <p>The Foundation works directly with donors to understand exactly what the restrictions should be.</p>	<p>Change from Diana Keelen to Wendy Dumas</p>
<p>3) Responsible individuals are designated to determine that the donor restrictions or conditions and matching requirements have been met before payments are classified as unrestricted support.</p>	<p>Sylvia Castro (Foundation Assistant) and Bridget Razo (Executive Director) review donor restrictions and conditions have been met before reclassifying funds.</p>	

Revenue (Contribution and Grants) - B3240.1-FDN Revenue

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Cash Receipts		

Reconciliation

1) The subsidiary pledges or grants receivable ledger is reconciled to the general ledger regularly (by someone independent of cash receipts) and differences investigated and resolved timely.	Grants are reconciled to the G/L by Kim Carlson (categorical accountant). She is responsible for about 60 grants which the college participates. There are also about 15 people on-campus called program managers. They are responsible for one or multiple grant programs and prepare reconciliation that are check monthly by Kim Carlson. Kim is independent of cash receipts and is confirmed by Wendy Dumas will confirm that G/L is accurate as well.	Change from Debby Hackenberg to Wendy Dumas
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Valuation

2) The Cash in County Treasury reconciliation is prepared and reviewed by the District.	Monthly bank reconciliation is performed monthly by Una Goff, Accounting Assistant III, and is reviewed by Debby Hackenberg.	Change from Janet Chapman to Una Goff
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Restrictions

3) Award letters are signed as indication of approval of receipt	Awards are requested by the Board of Trustees. VP of Academic Affairs, prepares the award letter, which is signed by Ed Knudson to document his approval.	
4) County postings of revenue are reviewed for proper account coding.	All posted revenue with the county office are reviewed for proper coding by Kim Carlson, accountant. Kim Carlson's work is reviewed by Wendy Dumas, fiscal services manager.	Change from Debby Hackenberg to Wendy Dumas
		B3240-LEA- School District Rev Cont.
5) Expenditures of categoricals are authorized by someone overseeing the activities of the grants to ensure that the expenditures are for proper grant-related purposes.	Ultimately, categorical are reviewed by Kim Carlson to ensure proper use related to grant intention.	
6) The Board approves an Interim Reports and Budget updates which indicates funds received from State and Federal sources.	Board of Trustees approves report which indicates funds received.	
7) Receivables/Payables are set up by the Budget Analyst based off the reconciliation of the amount received to the amount the District was apportioned for during the year.	Receivables and Payables are set up by Kim Carlson, based on the reconciliation of the amount received to the amount the District was apportioned for the year.	

Tuition Revenue - 3250-LEA- Tuition Revenue

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Reconciliation		
1) Additional charges for bookstore items, infirmary, library, athletics, security and physical plant (if applicable) are supported by appropriate back-up as well as any documentation from the student/parent relative to the particular charge	The district utilizes the Banner system, which has a record for all students payment history, including the detail of the charges.	
2) The subsidiary accounts receivable ledger is reconciled to the general ledger regularly (by someone independent of cash receipts and sales) and differences investigated and resolved timely. These reconciliations are routinely reviewed and approved by a supervisor.	An enrollment fee report is prepared quarterly by either Kim Carlson (Accountant) or Debby Hackenberg (Supervisor of Accounting and Budgeting), then reviewed Wendy Dumas, fiscal services manager. The final review is completed by Diana Keelen, CBO. The report is then presented to the board of trustees.	
3) Periodic reviews are performed comparing tuition revenues posted to the general ledger with a recalculation of revenue based on information provided by the Registrar's Office (# students, enrolled credit hours, published tuition rates, etc).	Please see quarterly report referenced in the previous step.	

<p>4) Established budgets for tuition revenues are reviewed and analyzed on a monthly basis compared to actual results. Significant variances and fluctuations are investigated accordingly</p>	<p>Budget-to-actual report is prepared by either Kim Carlson (accounting) or Wendy Dumas, fiscal services manager, then reviewed by Diana Keelen, CBO who analyzes on a monthly basis. All significant variations and fluctuations are investigated. Budget-to-actual report is presented at meeting of the Board of Trustees who further review the report.</p>	<p>Change from Debby Hackenberg to Wendy Dumas</p>
<p>5) Student remission and other scholarships allowances are identified and tracked separately by management to allow for proper presentation on the Statement of Activities (netted against tuition revenues). Scholarship and other discount allowances are reviewed and approved by authorized personnel.</p>	<p>G/L acct # 74.01 is a separate student scholarship account. The financial aid office produces a report biweekly which is reviewed by Janet Chapman (accounting assistant III) then entered into Banner system which then submits to Higher One. The report contains the names and amounts of award for participants. Debby Hackenberg and Diana Keelen release payment to Higher One.</p>	<p>Add Wendy Dumas in the future</p>

Segregation of Duties/ Cash Receipts

1) The cash receipts function is independent of accounts receivable.	Cash receipts is performed by the cashier office, independent of accounting. Page 35 of 39	
		3250-LEA- Tuition Revenue Cont.
2) The mail is opened and a cash receipts list is prepared by someone independent of accounts receivable or billing or a “lockbox” is used. The cash receipts journal is compared daily to this list.	Mail is opened by Lisa Diaz (student account technician) checks are stamped as they are received and input into Banner. The Banner report is reviewed by Una (accounting assistant III) in the accounting office	
3) Cash deposits are made regularly by someone independent of accounts receivable.	Lisa Diaz (student account technician) is in-charge of the cashiers office makes cash deposits. She is independent of A/R	
4) Daily register close out procedures exist for all areas where cash transactions occur. The procedures include a formal sign off by the employee following the procedures, and a formal reviewer	The cash registers are closed daily by staff. Lisa Diaz will reconcile cash receipts to Banner system. Lisa's cashout report is sent to the accounting office where it is reviewed by Janet Chapman and tied to bank statements.	
5) Tuition refunds (for dropped classes) and tuition remissions/discounts are authorized by someone independent of order entry.	There is an automated process for refunds through the Banner system. Credit card payments are refunded through Official Payments, check are processed by checks, and cash refunds are approved by accounting the processed through county office.	
6) Receipts are prepared and supplied to students in support of all cash receipts on accounts.	Cash receipts are issued upon receipt of cash.	

Allowance For Doubtful Accounts

1) A formalized and documented review of the allowance for losses adequacy is performed at least quarterly and the allowance is adjusted through the provision for receivable losses to the amount estimated, which is agreed to the general ledger.		Change: This is in process with accounts receivable process. Responsible party: Debby Hackenberg and Wendy Dumas
2) A policy is in place to handle accounts which are past due	Automated system Banner does not let students register for future semesters until financial obligations are met.	

Recognition

1) Tuition billings are prepared each semester solely based upon registration records for enrolled credit hours for the particular student.	Process is performed in real-time by Banner software when student registers on-line.	
2) Notification is provided to the Office of Student Accounts for all "drops" and "adds" during the established time frames and billings are adjusted accordingly. Appropriate signoff and approval is obtained by Registrar or applicable personnel for all changes.	Billings are adjusted by the Banner system in real-time as classes are added or removed. MyAVC allows students to register, add and drop classes independently while updating Banner.	
3) Staff calculate and analyze overpayments by students or prepayments for summer terms and reclassify accordingly as deferred revenue in financial statements. Calculations are reviewed by authorized person.	Antelope Valley College (AVC) has a year end of June 30. Summer semester may overlap into different financial years. Revenue for summer semester is recognized during the subsequent period.	

3250-LEA- Tuition Revenue Cont.

IT Edit Checks

1) Edit controls preclude the same transaction (student billings) from being entered more than once.	Banner prevents student billing from being entered more than once.	
2) Student accounts are made available for online access and review.	All students have access to there on-line account through interface MyAVC. The system provides details such account balance, registration appointments and allows students to update personal information.	

Student Loan Control - B3290

Please complete the "Current Year Updates or Corrections" column. If there have been no changes, please indicate "No Changes".

Approval

Sample Control	Prior Year Documentation of Actual Control	Current Year Updates or Corrections
Reconciliation		
1) Detailed listings of student loan receivables is reconciled to the general ledger regularly (by someone independent of cash receipts and sales) and differences investigated and resolved timely.	N/A	
2) Liabilities associated with Perkins loans and other federal loans subject to return to the Government are computed and reconciled with the related assets of the organization.	N/A	

Segregation of Duties

1) Loans awards are processed and approved by an authorized individual.	<p>There are no private loans at AVC. Federal loans are available to students who attend the college.</p> <p>When a student is interested in a federal loan, they fill out a loan request form from the Financial Aid office.</p>	
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Formula Policies and Procedures

<p>1) Formal policies are in place outlining the requirements for students to obtain institutional or Federal loans (i.e., Perkins, NSL, etc.) and are available to individuals responsible for awarding loans.</p>	<p>For federal loans, students may apply through the financial aid office. In order to be considered for a loan, certain steps are required such as completing a loan request form and signing a promissory note.</p>	
<p>2) Loan agreements are in place for all amounts awarded and receivable from students, outlining terms of repayment, student rights and responsibilities, etc.</p>	<p>Financial Aid office prepared a loan packet which includes supplemental information like a booklet titled 'Your Federal Student loans: Learn the basics and manage your debt' & 'Exit counseling guide: For federal student loan borrowers' etc.</p>	
<p>3) For Perkins and other federal loan programs administered by the Organization, restrictions on the use and potential return of funds is documented and reviewed by management on an ongoing basis. If applicable, calculations are performed annually and reviewed by an authorized individual related to the need to return federal loan proceeds which are not reloaned to students.</p>	<p>No Perkins loans at AVC. Other federal loans are processed in accordance with government policy.</p>	

Allowance For Doubtful Accounts - B3290-Student Loan Control Cont.


1) A formalized and documented review of the allowance for losses adequacy is performed at least quarterly and the allowance is adjusted through the provision for receivable losses to the amount estimated, which is agreed to the general ledger.	N/A	
2) A policy is in place to handle accounts which are past due.	N/A	

1) A formal review of student loans is done at year end by management for proper financial reporting.	N/A	
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Service Organization Controls Reports

1) For third party administrators, service organization controls reports are obtained and reviewed by management for control deficiencies and user control considerations.	N/A	
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Appendix H: Purchasing Grid

	ANTELOPE VALLEY COLLEGE DISTRICT BUSINESS SERVICES - PURCHASING DEPARTMENT				
TYPE OF PURCHASE	TOTAL AMOUNT OF PURCHASE INCL. TAX/SHIP., ETC.	QUOTE OR SOLICITATION REQUIREMENTS	PROCEDURE CODE(S)	PURCHASE ORDER (PO) OR CONTRACT TYPE	APPROVAL REQUIREMENT(S)
Equipment, materials, supplies, maintenance services and misc. biddable services	\$1 to \$999	Quote optional	BP6330/AP6330, Internal Control	PO issued by Purchasing	Department Dean/Director (& Division Dean/Director if applicable)
	\$1,000 to \$4,999	1 quote required	BP6330/AP6330, Internal Control	PO issued by Purchasing	Department VP & above approvals
	\$5,000 to \$24,999	3 quotes required ¹	BP6330/AP6330, Internal Control	PO issued by Purchasing	Executive Director of Business Services & above approvals
	\$25,000 to \$85,999	3 quotes required ¹	BP6330/AP6330, Internal Control	PO issued by Purchasing	President Approval, Board Approval ² & above approvals
	\$86,000 ³ or more	Advertised Competitive Bid ⁴	BP6340/AP6340, PCC 20651	PO & Contract Issued by Purchasing	Above approvals
Public/Construction Project, small - facility construction, alteration, renovation, demolition, painting, repair or professional services	\$1 to \$999	1 quote required	AP6350, Internal Control	PO Issued by Purchasing	Department Dean/Director (& Division Dean/Director if applicable)
	\$1000 to \$4,999	1 quote required	AP6350, Internal Control	PO Issued by Purchasing	Department VP & above approvals
	\$5,000 to \$14,999	3 quotes required ¹	AP6350, Internal Control	PO Issued by Purchasing	Executive Director of Business Services & above approvals
	\$15,000 or more	Advertised Competitive Bid ⁴	AP6350, PCC 22002(c)	PO & Contract Issued by Purchasing	President, Board Approval ² & above approvals
Independent Contracts/Professional Services	\$1 to \$999	Quote optional	GC 53060, AP6370	PO & Contract Issued by Purchasing	Department Dean/Director Signature & Board Approval ²
	\$1,000-54,999	1 quote required	GC 53060, AP6370	PO & Contract Issued by Purchasing	Department VP & above approvals
	\$5,000 to \$24,999	3 quotes required ¹	GC 53060, AP6370	PO & Contract Issued by Purchasing	Executive Director of Business Services & above approvals
	\$25,000 or more	Advertised Competitive Bid ⁴	GC 53060, AP6370	PO & Contract Issued by Purchasing	President & above approvals

AP = Admin. Policy BP = Board Policy PCC = Public Contract Code GC = Government Code

¹ Quotes must be obtained by the Requestor; the Purchasing Department may assist if there is adequate lead time (2 weeks recommended). Requisitions under the \$5,000.00 price point may be awarded to the requested vendor without soliciting competitive quotations if the District Buyer considers the price to be reasonable. If it is not considered to be reasonable, the Requestor may be asked to submit a quote or additional information to the Purchasing Department.

² Board Approval required prior to the PO being sent to the vendor and/or payments being processed. Requestor can submit Board Approval via a Board Communication or the Board PO Schedule.

³ Bid threshold as of 1/1/2015 (CCC Chancellor's Office), subject to adjustment each year for inflation.

⁴ For large purchases requiring advertised bidding, see "Bid Process" under Policies/Procedures on Purchasing Website for more info. or contact your assigned Buyer: www.avc.edu/administration/busserv/Purchasing

-If the purchase is for a resource that impacts another area (ex. computer-related purchases impact the Information Technology department) please obtain the Director of that area's approval. If the request is for categorical, restricted or grant-funded program, the appropriate program manager must also approve the request.

-Per CA Public Contract Code 20657 - It shall be unlawful to split or separate into smaller work orders or projects any work, project, service, or purchase for the purpose of evading the provisions of this article requiring contracting after competitive bidding.

-Per CA Public Contract Code 20659 - Change orders equal or greater to \$15,000 (or 10% above the original order) are subject to: advertised bidding, require board approval and may be subject to re-bid. *Revised 09/2015*