



Agenda Item Details

Meeting	Aug 04, 2022 - Citizens Oversight Committee
Category	5. INFORMATION REPORTS
Subject	5.03 Internal Controls for Bond Expenditures
Type	Information

Presented by: Rosa Royce

The internal controls for Mt. San Antonio College are established under a strong framework comprised of core values, board policies, administrative procedures, fiscal independence standards, and federal, state, and local regulations.

Two of our core values greatly support the level of commitment of the College's leadership ethical conduct. These are:

Integrity: We treat each other honestly, ethically, and respectfully in an atmosphere of trust.

Effective Stewardship: We sustain and improve the institution and environment by efficiently using resources of time, talent, facilities, and funds.

Mt. San Antonio College Board Policy (BP) 6300 Fiscal Management (Education Code Section 84040 (c); Title 5 Section 58311) establishes:

The College President/CEO shall establish procedures to assure that the College's fiscal management is in accordance with the principles contained in Title 5, Section 58311, including:

- Adequate internal controls exist;
- Fiscal objectives, procedures, and constraints are communicated to the Board of Trustees and College employees;
- Adjustments to the budget are made in a timely manner, when necessary;
- The management information system provides timely, accurate, and reliable fiscal information; and
- Responsibility and accountability for fiscal management are clearly delineated.

The books and records of the College shall be maintained pursuant to the California Community Colleges Budget and Accounting Manual.

As required by law, the Board of Trustees shall be presented with a quarterly report showing the financial and budgetary conditions of the College.

As required by the Budget and Accounting Manual, expenditures shall be recognized in the accounting period in which the liability is incurred and shall be limited to the amount budgeted for each major classification of accounts and to the total amount of the budget for each fund.

The College holds a Fiscal Independent status and is under the oversight of the Los Angeles County Superintendent of Schools (LACOE). If at any time LACOE determines that the accounting controls of the College become inadequate, he or she may recommend to the Board of Governors that Fiscal Independence status be revoked effective the first day of the following fiscal year. LACOE fiscal oversight is conducted based on the following accounting control standards prescribed by the Community College's Board of Governors:

Standard 1: Adequate Fund Balance

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

Standard 2: Statute and Governing Board

The College makes only lawful and appropriate expenditures in carrying out the programs authorized by the governing board,

Standard 3: Adequate Internal Controls

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

Standard 4: Legality and Propriety of Transactions

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

Proposition 39 the Smaller Classes, Safer Schools and Financial Accountability Act, imposes the following accountability measures:

- Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
- The College must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
- Requires the district to appoint a citizen's oversight committee.
- Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
- Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Fiscal Services regularly evaluates Mt. SAC's financial internal controls and management processes. The results of the evaluations are used to improve financial management systems. Mt. SAC maintains its budget and accounting records using the Banner system. The expenditure procedure allows for separation of duties and begins by requiring staff training prior to accessing the system. After training, staff are assigned unique individual passwords. Departments are able to track their transactions in real time 24/7. This process allows automatic validation of sufficient budget, and online requisitions are routed to the appropriate departmental manager and approved electronically via web. The requisitions are ultimately validated and reviewed by the Fiscal Services department to ensure allowability and proper recording of expenditures. Requisitions are then routed to the Purchasing department to produce a purchase order. Purchasing validates bid requirements, contracts, and board approval and then issues the purchase order. Once the services are provided or the items are received, accounts payable reviews invoices with a 3-way matching process (purchase order, invoice, receiving/performance slip) and completes the payment package. A different employee audits the payment packages and processes the warrant (checks) requests. Warrants are produced by employees that do not process accounts payable invoices or perform bank reconciliations. Daily warrant listings are reviewed and signed by the District Disbursement Officer.

Mt. San Antonio Community College District's (Mt. SAC) internal control environment is built at the top of the organization. Our leadership creates an environment that fosters ethical and responsible business behavior. The internal controls are evaluated and assessed by external auditors, LACOE, and management. Management evaluates internal controls on a regular basis. External auditors evaluate and review internal controls on an annual basis. Expenditures from special funds, such as Proposition 39, are made in a manner consistent with the intent and requirements of the funding source. Bond expenditures are consistent with regulatory and legal restrictions. The College has a long history of receiving unmodified audit opinions (best opinions) for financial audits and performance audits. The audits demonstrate high integrity of financial management practices and internal controls.