LOS ANGELES COUNTY SUPERINTENDENT OF SCHOOLS

Mt. San Antonio Community College District: Independent Accountants' Report on Agreed Upon Procedures Applied to Management and Accounting Controls for Fiscal Independence EC 85266.5

September 23, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

Pamela Fees
Director of School Financial Services
Los Angeles County Superintendent of Schools
Education Center
9300 Imperial Highway, Room 216
Downey, CA 90242-2890

Re: Mt. San Antonio Community College District: Independent Accountants' Report on Agreed Upon Procedures Applied to Management and Accounting Controls for Fiscal Independence

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

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

This report is intended solely for use by the Los Angeles County Superintendent of Schools and the Mt. San Antonio Community College District, and should not be used by anyone who has not agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 23, 2011

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

This page left blank intentionally.

CONTENTS

Objectives and Scope 1

Background Information 2

Procedures Performed 3

Observations 4

Conclusion 5

Exhibits:

1. Fiscal Independence Checklist E-1
2. Fiscal Independence Implementation Plan E-2

This page left blank intentionally.

DETAILED REPORT

This page left blank intentionally.

OBJECTIVES

The objective of the procedures was to determine the effectiveness and efficiency of the Mt. San Antonio Community College District's (the District) financial management and accounting controls for obtaining Fiscal Independence status. Specific functional areas have been outlined by the California Community Colleges Chancellor's Office checklist for fiscal independence.

Standard 1: **Adequate Fund Balances** - The District has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal years.

Standard 2: **Statute and Governing Board** - The District makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.

Standard 3: **Adequate Internal Controls** - The staff of the accounting, budgeting, contracts, management information 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.

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.

SCOPE

At the request of the Los Angeles County Office of Education, the scope of our procedures was primarily limited to an observation of processes and documentation related to the 2010-2011 fiscal year. For the issues noted above, we interviewed District personnel and observed financial systems' processes, while reviewing updated internal controls, operating procedures, and reviewing the prior five years' audited financial reports.

At the time of our review, the District was on the financial software system called Banner. Once the approval of the District's Fiscal Accountability was approved in 2008, the District began to issue its own commercial warrants. As of March 2009, the District has began to issue its own payroll warrants as well. The District has continuously revised procedures to improve the processing of all its warrants.

BACKGROUND INFORMATION

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

PROCEDURES PERFORMED

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

- General Procedures:
  - Questionnaires were completed with assistance of key District personnel, followed by interviews to determine background information related to operations.
  - Performed walkthrough of key controls.

- The Internal Control procedures will include the functional areas of Cash Receipting, Disbursements, Payroll and Personnel, Purchasing, and Data Processing. The following procedures will be utilized in these areas:
  - Review of pertinent policies and procedures and other relevant documentation.
  - Read designated Board Policies for identifying and defining the duties of Disbursing Officer, Board members, and employee travel and conference reimbursements.
  - Collection and analysis of data as it relates to the scope of the review.
  - Analysis of the daily transactions and related books and ledgers, records, and reports to management.
  - Manual review and walk through of selected transactional details and supporting documents.
  - Assessment of the efficiency, effectiveness, and integrity of processes.
  - Observe and document the District's cash receipting controls, disbursement controls, and payroll and personnel controls, as well as purchasing and data processing controls.
  - Observe and document the District's budget financial and budget controls. This will include financial reporting and budget development.
  - Read the District's Fiscal Independence Implementation Plan as to adequacy and reasonableness of meeting established dates.

OBSERVATIONS

There were no items noted that indicated the necessity for significant enhancement or improvement.

CONCLUSION

Based upon completion of our procedures, the conclusion is that the District has been successful in building a system capable of achieving fiscal independence. The District currently has been successfully issuing its own commercial and payroll warrants for two complete fiscal years. There has been constant review performed by the management of the District to ensure that the data input into the Banner software system and the warrants issued are functioning properly. Given the observations performed at this time, there are no apparent impedances from the continued endeavor towards fiscal independence.

This page left blank intentionally.

Mt. San Antonio Community College District

Fiscal Independence Checklist

This page left blank intentionally.

		Yes/Met Consistently	Met Partially	No/Not Met
1.	**Adequate Fund Balances**			
	The District has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal years.			
a.	For the past five fiscal years, the District has maintained fund balances in its unrestricted general fund at or above the minimum established by the California Community Colleges Chancellor's Office.	✓		
	Comments: Over the past five years, the District has maintained a reserve that meets the minimum requirement as recommended by the California Community Colleges Chancellor's Office.			
b.	The District has avoided deficit fund balances in its funds for the past five fiscal years.	✓		
	Comments: The past five fiscal years' audited financial reports were reviewed with the Assistant Vice President of Fiscal Services. In each fiscal year, the District has avoided deficit fund balances.			
c.	Appropriation balances are checked before orders are forwarded.	✓		
d.	Procedures are established to assure sufficient funds are in the County treasury before issuing/requesting warrants.	✓		
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.	✓		
	Comments: On a weekly basis, the District performs a cash flow analysis over the general fund to assure that adequate cash flow is maintained throughout the year. On an annual basis, the Assistant Vice President of Fiscal Services receives the Board approval to allow any inter-fund borrowing if deemed necessary.			
f.	Purchase orders are verified for availability of funds within budget limits authorized for division, campus, or program.	✓		

2. Statute and Governing Board

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

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.	✓		

Comments:

The District has adopted a Board policy in regards to the adoption of a budget that meets Education Code requirements. The District has been able to meet the deadlines presented in the Board policy for several prior fiscal periods and the 2012 fiscal year.

e.	The accounting system is established and maintained in accordance with the Community Colleges Budget and Accounting Manual (BAM).	✓		
f.	Debt records are centrally maintained.	✓		
g.	If the District maintains a revolving fund, it is established in accordance with the BAM.	✓		
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.	✓		

Comments:

As required by Public Contract Code, the District receives competitive bids for all purchases for materials and supplies that exceed $72,400 and for public projects that exceed $15,000.

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.	✓		

Comments:

Based on review of previous audit reports and communication with the Assistant Vice President of Fiscal Services, it was noted that the District develops a corrective action plan to address all findings as they become aware of them. The auditor reviewed the 2009-2010 recommendations and observed that the District is in the process of implementing the findings as recommended.

3. **Adequate Internal Controls**

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

a.	A plan of organization that provides segregation of duties appropriate for the safeguarding of District's assets.	✓		

Comments:

The auditor obtained and reviewed the Organizational Chart and detail of job assignments and noted proper segregation of duties within the Fiscal Services Department. The auditor noted proper segregation between recordkeeping, asset custody, authorization, and reconciliations.

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	✓		
c.	For entitlements and apportionments, comparisons are made of the amount anticipated and the amount received. Variances are investigated and resolved.	✓		
d.	A responsible official reviews statistical and data reports before they are submitted.	✓		

Comments:

Based on inquiry and review of multiple reports, it is noted that there are multiple levels of review of reports and statistical data prior to submission to the Board. The auditor obtained Quarterly Financial Status Reports submitted to the Board and noted that it was prepared by the Assistant Vice President of Fiscal Services, reviewed by the Vice President of Administration Services, and recommended by the President/CEO.

e.	Controls are in place to ensure adequate follow-up on unmatched invoices, purchase orders, and requisitions.	✓		
f.	Purchases have been centralized in the business office under an employee designated by the Board.	✓		
g.	The person responsible for signing warrants is bonded in an amount fixed by the governing board.	✓		

Comments:

The Assistant Vice President of Fiscal Services is the person responsible for signing warrants and is bonded by a $1,000,000 bond that is approved by the governing board.

h.	The District maintains security (control) over payroll and commercial warrants at all times in the process (i.e. from raw stock to mailing of warrants including security over signature plates and/or software embedded signatures).	✓		

Comments:

The check printer and all check stock is held and utilized in a locked vault at the District Office. A tour of the facility was conducted and noted the vault is located in a locked room and is stationed by two employees at all times. All checks and signature plates are contained in the locked vault under dual control which two separate codes are needed to gain access.

i.	The IRS 1099 requirements are met.	✓		
j.	The procedures are adequate for placing personnel on the proper salary schedule.	✓		
k.	The personnel information, current and historical, is available to meet all reasonable District requirements.	✓		
l.	For open, on-line systems of procurement and budget reports, adequate controls of access to files and security of data are maintained.	✓		
m.	There are adequate controls over the distribution of reports.	✓		
n.	There is adequate follow-up on unmatched transactions between master record and transaction records.	✓		
o.	Controls over master files are adequate.	✓		
p.	Copies of important programs, records, and files are kept in separate fireproof storage.	✓		
q.	Documentation is kept up to date and record keeping practices are adequate to support transactions (for audit trail purposes).	✓		

Comments:

All documentation is kept up to date and maintained within the Banner System for audit trail purposes. The auditor walked through the AP function and verified proper approval and recording to the general ledger. The auditor obtained requisitions, purchase order with approval, invoice, packing slip noting documentation of receipt by the warehouse, and entry into the Banner System and approval for payment.

r.	Safeguards are adequate to prevent unauthorized entry of program changes and/or data.	✓		
s.	There are systems and procedure manuals for the administrative activities of the District.	✓		
t.	The District has an 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.	✓		

Comments:

The auditor obtained and reviewed the Data Back-up and recovery policies and procedures and reviewed for adequacy and reasonableness. The District's data is backed-up and stored securely offsite by an outside data storage facility. In case of a disaster, the District would have access to all tapes and data with little to no downtime.

u.	The external auditors report on the lack of or weak internal control procedures and make recommendations to management.	✓		

4. Legality and Propriety of Transactions

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

a.	The *accounting office staff* exercise independent judgment on the legality and propriety of accounting transactions.	✓		

Comments:

Per inquiry with key accounting staff, employees have access to the President/CEO, Governing Board, and legal counsel which includes authority to follow the advice of counsel in reference to determining legality and propriety of accounting transactions if necessary. In addition, the Fiscal Services Department has created positions that enable segregation of duties.

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, Workers' 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.	✓		

Comments:

The Information Systems Department is located separately from the Fiscal Services Department, Purchasing, and Human Resources. Information Systems personnel do not have access to initiate or authorize transactions and personnel operate independently of the Fiscal Service Department.

l.	An independent internal audit function is performed to determine compliance with policies, laws, regulations, and accounting procedures.		✓	

Comments:

Although the District does not employ a dedicated internal audit staff, audit procedures are implemented to ensure accurate, complete, and timely reporting of data to the Los Angeles County Superintendent of Schools such as external audits. In addition, the Fiscal Services Department created a position that conducts informal audit tasks.

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

This page left blank intentionally.

Mt. San Antonio Community College District

Fiscal Independence Implementation Plan

This page left blank intentionally.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

COMMERCIAL & PAYROLL WARRANTS FISCAL INDEPENDENCE PLAN

This page left blank intentionally.

TABLE OF CONTENTS

INTRODUCTION **5**

I. GOVERNING BOARD ACTIONS **5**

A. REQUEST FOR FISCAL ACCOUNTABILITY STATUS 5
B. GOVERNING BOARD DESIGNATION OF THE DISTRICT'S DISBURSING OFFICER 6
C. DISBURSING OFFICER FIDELITY BOND AMOUNT 6

II. ORGANIZATIONAL STRUCTURE **6**

A. ORGANIZATIONAL CHART 6
B. ASSOCIATE VICE PRESIDENT, FISCAL SERVICES (FORMALLY DIRECTOR, FISCAL SERVICES) DISBURSING OFFICER'S JOB DESCRIPTION 6
C. BUDGET & ACCOUNTING TECHNICIAN JOB DESCRIPTION 6
D. DISBURSING OFFICER RESPONSIBILITIES 7

III. FISCAL SERVICES INTERNAL CONTROL PROCEDURES **8**

A. TIMELY RECONCILIATION 8
B. MANAGEMENT REVIEW OF RECONCILIATION 8
C. REMOVAL OF AUTHORIZED CUSTODIAN (CHECK SIGNER) 8
D. SYSTEM OF AUTHORITY 8
E. SEPARATION OF DUTIES 8
F. INTERNAL AUDIT STAFF 9
G. AUDIT FINDINGS 9
H. ROTATION OF DUTIES 9
I. EMPLOYEE IN-SERVICE TRAINING 9
J. REVIEW OF INTERNAL CONTROLS 9
K. DETAILED RECORDS 9
L. CREDIT CARD CONTROLS 10
M. CUSTODIAN OF RECORDS 10

IV. COMMERCIAL WARRANT AUDIT PROCESS **10**

V. COMMERCIAL WARRANT AUDIT PROGRAM **11**

VI. COMMERCIAL WARRANT INTERNAL CONTROL PROCEDURES **11**

A. ASSUMPTION OF DUTIES 11
MT. SAN ANTONIO COLLEGE WILL ASSUME THE SAME INTERNAL CONTROL AND OPERATING PROCEDURES FROM THE LOS ANGELES COUNTY SUPERINTENDENT OF SCHOOLS. 11
1. Issuance of Duplicate Warrant Procedure *12*
a) Lost Warrants 12
b) Damaged Warrants 12
c) Stolen Warrants 13
2. Outlawed (Stale Dated) Warrant Internal Control Procedure *13*
3. Internal Control Procedure for Reissuing Outlawed Warrants *13*
4. Cash in County Treasury Reconciliation Internal Control Procedure *14*
5. Warrant Issue and Signature Control Internal Control Procedure *14*
a) Signature and Warrant Micro Code 14
b) Warrant Stock Control 14
c) Release of Warrants 15
d) Assignment of Warrant Numbers 15
e) Printing Warrants 15
f) Spoiled Warrants 15
g) Verifications 15
h) Voided Warrants 16
6. Paid Warrant Retention Internal Control Procedure *16*

7. *Warrant Stock, Order, Security Internal Control Procedure* 17
a) Ordering of Warrant Stock 17
b) Retention (Physical Security) of Warrant Stock 18
c) Security (Control) of Warrant Issued and Retained 18
B. COMMERCIAL WARRANTS INTERNAL CONTROL PROCEDURES 18
1. *Policy & Procedures* 18
2. *Access to Purchasing Software* 19
3. *Purchase Authorization* 19
4. *Purchase Data Integrity* 19
5. *Budget Validation* 19
6. *Purchase Approval* 19
7. *Approval Threshold* 19
8. *Requisition Review* 19
9. *Special Events and Activities* 19
10. *Appropriation Transfers* 20
11. *Budget Revisions* 20
12. *Cost Review* 20
13. *Purchasing Approval* 20
14. *Bid Process Procedures* 20
15. *Proof of Competitive Pricing* 20
16. *Purchase Order Issued* 21
17. *Verification of Receipt* 21
18. *Purchase Order Info Access* 21
19. *Fixed Assets Identification* 21
20. *3-Way Matching Process* 21
21. *Mathematical Accuracy* 21
22. *Change Order Review & Procedures* 21
23. *Supporting Documentation Retention* 22
24. *Invoice Report Approval* 22
25. *B-Warrant Audit* 22
26. *Audit Guidance* 22
27. *B-Warrant Authorization* 22
28. *Warrant Issued* 23
29. *Warrant Control* 23
30. *Signature Plate Security & Control* 23
31. *Bank Statement Reconciliation* 23
C. ASSUMED BUDGET AUTHORITY OPERATING INTERNAL CONTROL PROCEDURES FROM THE LOS ANGELES COUNTY SUPERINTENDENT OF SCHOOLS: 23
1. *Budget Development and Monitoring* 23
2. *Budget Authority Review Procedure* 23
D. ASSUMED CASH CONTROL OPERATING INTERNAL CONTROL PROCEDURES FROM THE LOS ANGELES COUNTY SUPERINTENDENT OF SCHOOLS: 24
1. *Cash Control Procedures* 24
2. *Cash Clearing Procedures* 24
3. *Revolving Cash Procedures* 24

VII. PAYROLL WARRANT INTERNAL CONTROL PROCEDURES 25

A. PAYROLL PROCESSING 25
1. *Payroll Payment – Academic Employees (EC 87821 & 87822)* 25
1. *Reissuance of " damaged and spoiled" payroll warrants* 25
B. DIRECT DEPOSIT 25
C. GARNISHMENTS 26
D. TSA (TAX SHELTER ANNUITY) 27
E. RETIREMENT REPORTING 27
F. DIRECT INTERFACE TO BANNER FINANCIAL SYSTEM 27
G. NEW-HIRE REPORTING TO EDD 27

H. REPLACEMENT WARRANTS 28
I. W-2 GENERATION 28
J. QUARTERLY REPORTING – EDD 28
K. SOCIAL SECURITY / NAME MATCH 28
L. PAYROLL TAX PAYMENTS 28
M. COST OF PAYROLL WARRANT STOCK 29
N. ISSUANCE OF PAYROLL WARRANTS 29
O. NEW HIRE APPROVALS 29
P. POSITION CONTROL 29
Q. SEPARATION OF DUTIES 29
R. AUTHORIZATIONS 29
S. PAYROLL REGISTERS 30
T. ACCOUNT DISTRIBUTION 30
U. PAYROLL EXPENSES 30
V. FEDERAL & STATE REPORTING 30
W. GARNISHMENT DEDUCTIONS 30
X. CHECK RELEASE TO THIRD PARTY 30
Y. UNCLAIMED PAYROLL CHECKS 30
Z. PAYROLL DEDUCTIONS 30
AA. SECURITY ACCESS 30

VIII. DATA PROCESSING INTERNAL CONTROL PROCEDURES 31

A. ADEQUATE DATA PROCESSING 31
B. DATA BACKUPS AND DATA RECOVERY 31
C. DATA/SYSTEM SECURITY 31

IX. EDUCATION CODE 85266/85266.5, COMMUNITY COLLEGE FISCAL ACCOUNTABILITY (APPENDIX J) 32

X. APPENDIX 33

This page left blank intentionally.

INTRODUCTION

Mt. San Antonio College (District) is requesting Fiscal Independence status to assume statutory and legal responsibilities, as specified in California Education Code 85266.5 **(Appendix J)**, of the County Superintendent of Schools with regard to the approval and examination of District warrants and accounts.

Mt. San Antonio Community College was granted Fiscal Accountability status effective July 1, 2009. Mt. San Antonio Community College District is now requesting to apply for Fiscal Independence status. The District would issue both payroll and commercial warrants directly against the County Treasury.

The assumption of "Fiscal Independence" permits recognition of District's competence, minimizes duplication of effort between the District and the Los Angeles County Superintendent of Schools, and grants increased control at the local level, while maintaining adequate safeguards over the expenditures of public funds.

ANNUAL REVIEW

In accordance with Education Code 85266.5, the Los Angeles County Superintendent of Schools will continue to provide oversight of the District and will review on an annual basis, the Annual Audit Report. The Governing Board must notify the County Superintendent of Schools of proposed actions on the findings and recommendation after receipt of such findings and recommendations. If at any time upon determination that the District's financial or management controls are inadequate, the Los Angeles County Superintendent of Schools may recommend to the board of governors that the approval be revoked. The Annual Review performed by the Los Angeles County Superintendent of Schools may consist of, but is not limited to the following:

- Review of the Annual Audit Report
- Discussion with the District's Auditor
- On-site visitation by the Los Angeles County Superintendent of Schools for further review of the District's Financial Transactions

I. Governing Board Actions

A. Request for Fiscal Accountability Status

On August 27, 2008, the District's Board of Trustees formally approved the submission of an application on behalf of the Governing Board and the College President/CEO to the Los Angeles County Superintendent of Schools requesting Fiscal Accountability Status, effective July 1, 2009.

Board Agenda Item: Request for Fiscal Accountability Status (Appendix A)
Completed and signed Fiscal Accountability Application (Appendix B)

B. Governing Board Designation of the District's Disbursing Officer

The District's request to implement fiscal accountability from the Los Angeles County Superintendent of Schools for both commercial and payroll warrants pursuant of Education Code 85266 - *Warrant for District Expenses* is contingent on the District's designation of a Disbursing Officer. The District's Governing Board designates this position. The position description for the District's current Associate Vice President, Fiscal Services has been revised to include the Disbursing Officer functions of the District.

The District's Governing Board designated the position of Associate Vice President, Fiscal Services to include the District's Disbursing Officer functions at the February 22, 2008 board meeting.

Board Agenda Item: Designation of Disbursing Officer (Appendix C)

C. Disbursing Officer Fidelity Bond Amount

1. The Disbursing Officer authorized by the Board to issue warrants pursuant to Education Code section 85266 would execute an official bond in an amount fixed by the Board conditioned upon faithful performance of his/her duties under this section. Fidelity Bond Amount $1,000,000.00 is the current fixed amount.
2. Coverage is provided by ASCIP. **(Appendix D)**

D. Request for Fiscal Independence Status

On August 24, 2011, the District's Board of Trustees formally approved the submission of an application on behalf of the Governing Board and the College President/CEO to the Los Angeles County Superintendent of Schools and the California Community Colleges System Office requesting Fiscal Independence Status, effective July 1, 2012.

II. Organizational Structure

A. Organizational Chart
(Appendix E)

B. Associate Vice President, Fiscal Services

C. Disbursing Officer's Job Description **(Appendix F)**

D. Budget & Accounting Technician Job Description
(Disbursing Officer's Designee) **(Appendix G)**

E. Disbursing Officer Responsibilities

Duties & Responsibilities
The role and responsibilities of the District's Disbursing Officer shall include independent access to the Governing Board, President/CEO and legal counsel, which includes the authority to follow the advice of counsel in reference to determining the legal expenditures of the community college district.

The District Disbursing Officer shall:
Have independent access to legal counsel and independent authority to disapprove purchases where legal or operational deficiencies exist.

Issue warrants in accordance with laws, regulations, and procedures prescribed by the Los Angeles County Superintendent of Schools claims division for all debts and demands within categories designated by the Los Angeles County Superintendent of Schools against the District when amounts are legally approved.

Be covered by a fidelity bond and separate resolution in the amount of $1,000,000.00.

It shall be the responsibility of the Governing Board to approve expenditures and it is the Disbursing Officer's responsibility to issue warrants, and the Governing Board shall have the responsibility to approve the related expenditures.

Detailed responsibilities of the designated District Disbursing Officer or designee to include the following:

- Ensure the legality and accuracy related to all warrants and ACHs issued.
- Determine that funds are available to cover payments of the claim.
- Determine that adequate documentation exists to substantiate the appropriateness and authenticity of financial transactions.
- Determine that there has been compliance with budgetary, legal, procedural and specially-funded program's requirements.
- Maintain a record of all transactions reviewed, together with notations regarding rejected warrant requests.
- Issue warrants and ACHs in accordance with procedures prescribed by the Los Angeles County Superintendent of Schools.
- Ensure organizational independence between operating, custodian, accounting and internal auditing departments.
- Ensure that the separation of duties is properly controlled.
- Ensure a degree of independence of the District Disbursing Officer of other management offices sufficient to maintain positive integrity of responsibilities.
- Review the Requisition to Purchase Order Differences Audit Report and document differences; if a Purchase Order was issued by Purchasing for ten (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 the Purchasing and Accounts Payable Departments.
- Ensure controls between the Human Resources and Payroll Departments.
- Ensure control of warrant and signatures.
- Ensure adherence to Board rules and policies.
- Provide financial information to the Board of Trustees.
- Ensure budget controls and procedures are in accordance with good business and management practices.

- Prepare Financial Statements and Cost Analysis Reports, independent of the District's accounting function.
- Monitor the integrity of the encumbrance process.
- 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 or coordinate the preparation of written reports of audit findings and recommendations: 1) Internal Audit, 2) Reply to Certified Audit Reports.
- 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 annual State reports.
- Issue duplicate warrants.
- Detect, account for, and recover monies lost due to forged warrants.
- Process garnishments and tax liens against employees and/or vendors.

III. Fiscal Services Internal Control Procedures

A. Timely Reconciliation

The District's accounting records are to be reconciled against control records of the Los Angeles County Auditor-Controller.

B. Management Review of Reconciliation

Management will review and approve all Bank Reconciliations on a monthly basis.

C. Removal of Authorized Custodian (Check Signer)

Ensure immediate notification to the banks when the authorized check signer leaves the employ of the District.

Any changes to authorized custodian will result in the immediate completion of new signature cards with notification to the Board of Trustees at the next Board Meeting.

D. System of Authority

Determine responsibility of staff for financial transactions.

Fiscal Services has developed an organizational chart identifying positions in a hierarchy structure. **(Appendix E)**

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.

E. Separation of Duties

Ensure there are no incompatible job functions to mitigate process risks associated with functional business areas.

Fiscal Services maintains proper separation of duties by implementing policy 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).
- Reconciliation (Assurance that transactions are proper).

F. Internal Audit Staff

Audit procedures are implemented and executed to ensure the integrity of reporting.

Although the District does not employ a dedicated internal audit staff, audit procedures are implemented to ensure accurate, complete, and timely reporting of warrant data to the County. After the payments have processed been processed by the Accounts Payable staff, these payments are forwarded to an approval queue. This approval queue receives all payments prior to the issuance of warrants. A Budget and Accounting Technician is assigned to this approval queue and is responsible for reviewing and approving all payments under the direction of the Associate Vice President, Fiscal Services (designated as the District's Disbursing Officer).

G. Audit Findings

Ensure audit findings are followed-up in a timely manner.

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

H. Rotation of Duties

Ensure duties of Fiscal Services personnel are rotated periodically.

The District employs a practice of periodically rotating job duties, including measures to cross-train and develop skill-sets. The purpose of this rotation is to promote efficiency and effectiveness while mitigating the risks of concentrating knowledge in one individual.

I. Employee In-Service Training

Ensure personnel knowledge and skill-sets are adequate to perform job function.

District provides an array of training and workshops to fiscal services personnel to hone currently skill-sets and attain new ones. Such programs include CASBO training, customer service workshops, Banner application training, 1099 processing workshops, and staff development workshops.

J. Review of internal controls

Ensure Fiscal Services personnel continually review internal control policies and procedures.

Internal controls are evaluated and reviewed annually during the financial audit. In addition, management reviews internal controls when new work assignments (projects) are assigned. Automated system-configured Banner controls were discussed and reviewed during system implementation.

K. Detailed Records

Ensure detailed records for specially-funded projects are properly maintained.

File information is maintained for each funded project. Support documents include written correspondence and claims.

L. Credit Card Controls

Ensure effective control over credit cards.

Fiscal Services controls the initial issuance of credit cards, establish reasonable purchase/spending limits, promptly reviews credit card statements, provides support for purchases, and notifies cardholders of credit card policy.

M. Custodian of Records

Designated person as custodian of records retention and cataloging.

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

IV. Commercial Warrant and ACH Audit Process

Procedural Steps

1. Accounts Payables prepares commercial warrant request package, includes approved purchase order, itemized invoice, and receiving documentation. The invoices for Financial Aid ACH (automated clearing house) payments are initiated by the Banner the Banner Student Account Receivable module where refunds are processed. The refunds are processed to the Banner Finance module and then the warrants or ACH are processed.

2. Accounts Payables forwards completed package with commercial voucher register to Disbursing Officer's office for audit. The invoices for Financial Aid ACH are fed directly to the Disbursing Officer or designee for audit.

3. Disbursing Officer's staff (Budget & Accounting Technician) audits commercial warrants using the *Los Angeles County Office of Education – Commercial Claims Document Checklist* **(Appendix H)** as a guideline for supporting documentation required to support compliance with education codes, governments codes, public contract codes and audit standards, as they relate to specific types of payments.

4. 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 and verifies the total to the total of the Invoice Selection Report. 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.

5. To ensure proper separation of duties, a designee, other than the Accounts Payable Staff, will print the commercial warrants. The Accounts Payable staff will file the payment package by check date, then alphabetically by vendor name. ACH registers will be filed by the issuance date. Warrants will be distributed or mailed by staff other than the Accounts Payable Department.

6. On a daily basis, Disbursing Officer or designee will forward an encrypted warrant and ACH issue file electronically through a designated VPN line to the bank for the commercial warrants and ACHs. The listing will report the warrant number, date of the

warrant, amount of the warrant, and name of payee. In addition, the Disbursing Officer or designee (Accounting Manager) will forward an email to the Los Angeles Auditor-Controller's Office to provide them with the warrant or ACH issuance information. The memo should include the bank account number (warrant or ACH), issuance date, total amount of warrants or ACHs disbursed, and a listing of individual payments over $100,000.

V. Commercial Warrant and ACH Audit Program

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

1. A random audit process will identify warrants and ACHs 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 and ACHs for audit shall include approved purchase order/contract, itemized invoice, receiving documentation, Board Approvals (if applicable) and/or other supporting documentation.

2. 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 and verifies the total to the total of the Invoice Selection Report. Any warrant or ACH 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 or electronic transfer of funds. Disbursing Officer or designee will audit the following to ensure that:

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

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

4. Disbursing Officer or designee will approve the warrant and ACH registers upon successful completion of audit steps and authorized processed warrants and ACHs.

VI. Commercial Warrant and ACH Internal Control Procedures

A. Assumption of Duties

Mt. San Antonio College will assume the same internal control and operating procedures from the Los Angeles County Superintendent of Schools.

As of July 1, 2009, when Mt. SAC obtained approval for Fiscal Accountability status from the Los Angeles County Superintendent of Schools, the subsequent

internal control procedures and regulations have been applicable. The Associate Vice President, Fiscal Services is designated to serve as the District's Disbursing Officer. The skills, duties, and responsibilities delegated to this position and title are included in **Appendix F.**

1. Issuance of Duplicate Warrant Procedure

a) Lost Warrants

Account Clerk III/Payroll or Account Clerk III/Accounts Payable staff is 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 warrant was actually issued.

If 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 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 complete a Check Void/Stop Payment Request form. The Affidavit and stop payment form are reviewed and approved by the Disbursing Officer or Management level designee. The Disbursing Officer or Management Level designee enters the stop payment using the online banking system. The Budget and Accounting Technician enters the stop payment and re-establishes the invoice in Banner.

The Payroll or Accounts Payable staff shall process the duplicate payment referencing the original warrant number, enters the warrant into the Banner system. Non Payroll or Accounts Payable Staff will run the process to print warrants. The warrants, forms, and addressed envelopes will be given to the Disbursing Officer or designee for dissemination.

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

b) Damaged Warrants

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

c) Stolen Warrants

If stolen warrant has been forged and cashed, staff will provide the employee or vendor with a copy of the front and back of the warrant and recommends that the employee or vendor should file a police report.

The notarized *Affidavit and Request for Replacement of Lost Warrant* form is completed. 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 proper 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 "payee positive pay" in order to minimize the possibility of fraudulent transactions.

d) Returned ACHs

Management is notified of returned ACHs by the bank. The vendor or student will be notified as soon as possible. Once the affected party has been notified, staff will complete a *Check Void/Stop Payment Request* form requesting the returned ACH be reissued as a commercial warrant. Bank documentation showing the returned ACH will be attached to the reissue request. The Disbursing Officer or designee will review and approve the request. Once approved, the reissue request will be processed along with other warrants.

2. Outlawed (Stale-Dated) Warrant Internal Control Procedure

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 on to identify the payee.
- Search the vendor or Payroll/Human Resources files to determine if address has changed.
- 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 warrant for vendors and employees that could not be located. The updated warrant list will be reviewed by the Disbursing Officer or designee.

3. 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 warrant is highlighted.

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

The completed *Affidavit, Check Void/Stop Payment Request* form, and the listing of outlawed warrants are received and approved by the Disbursing Officer or designee. Every effort will be made to re-issue the warrant through the normal warrant process. In the event hand warrants are required, the Disbursing Officer or designee sends the hand warrants, Affidavit and outlawed list to the Accounts Payable staff.

Board approval is required to reissue both commercial and payroll warrants. Warrants become void when the warrant has not cashed within 2 years from the date of the original issue, per Education Code 85270.

4. *Cash in County Treasury 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 and from the County Treasury. The cash reconciliation will identify the reconciling items between the District and County Treasury. Identified differences, other than timing, will be corrected by the Disbursing Officer or designee.

The Disbursing Officer or designee approves entries required for the District financial records, and in addition, prepares, and posts correcting journal entries, and notifies the County Superintendent of Schools of errors requiring correction on the County financial records. The Disbursing Officer or designee would 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 of the Disbursing Officer or designee.

5. *Warrant Issue and Signature Control Internal Control Procedure*

a) Signature and Warrant Micro Code

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

b) Warrant Stock Control

- Warrant stock is blank and watermarked and contains control numbers. The staff who distributes the blank warrant stock log the beginning and ending control number. This log is kept with the locked warrant stock.
- Warrant design and micro code is printed during the warrant processing.
- Control of warrant stock is maintained in a locked cabinet, which is located in the vault in Fiscal Services.

c) 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 online payment through the system.
- The system will not accept the batch for payment until the Disbursing Officer or designee has approved the release.

d) 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.

e) Printing Warrants

- The designated Accounting Staff will have authorized access to the personal computer dedicated to warrant processing. The dedicated computer will be password protected and is located in the Fiscal Services' vault with limited authorized access.
- The warrant batches are downloaded by the Operator to the personal 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.

f) Spoiled Warrants

- If warrants are spoiled during the printing process the Operator will notify the Accounting Manager.
- The Accounting Manager will reprint the spoiled warrants and vault staff will witness the reprint and proper disposal of spoiled warrants.

g) 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 order to print warrants and provides the count, beginning and ending warrant number 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-sealed 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. In case of discrepancies, the warrants are counted manually and compared to the check register.

h) Voided Warrants

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

6. 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 "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 included in this file.

The electronic paid registers received from the bank will be uploaded into our 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's designee and approved by the Accounting Manager.

The District will assume the County Superintendent of School's responsibilities for record retention and the making of records accessible to the public.

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.

- The District will develop a retention schedule based on guidelines as outlined in the *Records Retention Manual K-12 & Community College, 2001* prepared by CASBO. The following is an example of a schedule with classification:

Retention Schedule			
Class	Form Number	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	15 Years
2		Commercial Warrants	5 Years
2		Cancelled Checks	5 Years
2		Expenditure Vouchers	5 Years
2		Garnishments	5 Years
2		Invoices	5 Years
2		Receipts	5 Years
2		Contracts	5 Years
2		Time Reports	5 Years
2		Bids	5 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

- Record Accessibility to the Public
  The public is welcome to review Districts' records during the hours of 0730 to 1630, 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.

7. Warrant Stock, Order, Security Internal Control Procedure

   a) Ordering of Warrant Stock

   Warrants will be identifiable by type including commercial warrants, payroll warrants, and hand (manual) warrants. The Disbursing Officer or designee will determine when warrant stock needs to be purchased.

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

The Disbursing Officer or designee will file vendor documentation of quantities ordered and received. A re-order timeline and quantity will be established based on vendor delivery lead time.

b) Retention (Physical Security) of Warrant Stock

Warrant production will occur in the vault located in Fiscal Services, which has limited authorized access. This room will be locked at all times and require a combination lock for access. Access will be limited to designated staff. The combination code will be changed whenever a designated staff member position with access is vacated.

Warrant stock will be stored in a secured cabinet under lock and key in the vault located in Fiscal Services.

c) Security (Control) of Warrant Issued and Retained

A Warrant control log will be maintained by the Disbursing Officer or designee in a secured facility. 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 person warrant stock issued to.
- Signature of designee when warrant stock returned.
- Warrant sequence issued.
- Warrant sequence voided.
- Date of physical inventory.

Voided warrants will be mutilated (signature position cut out), returned with log for verification of sequence, then filed numerically with cancelled warrants.

The designee will verify the sequence of all printed and voided warrants. Verification may be delegated provided a sequential listings of warrants printed is signed and provided to the Disbursing Officer or designee as proof.

If verification of warrants printed is delegated, the signed sequential listing will be maintained with the log.

Warrant stock on hand will be inventoried and reconciled to the log at least once per fiscal year by the Budget & Accounting Technician or designee and at any time the Disbursing Officer position is vacated.

B. 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 Banner requisition module is restricted to authorized personnel. Fiscal Services has implemented a role-based security module to assign rights and privileges to employees based on job function and department.

3. Purchase Authorization

   Requesting departments may only charge purchases to their own budget. Banner's role-based security access restricts departments from charging purchases to other departments.

4. Purchase Data Integrity

   Requisitions should be submitted for processing as complete and accurate. Requisitions for purchase include: requesting department, valid approving electronic signatures, suggested vendor name, quantity/unit item, purchase description, unit price, and charge account string.

5. Budget Validation

   Requisitions for purchase are verified within the Banner Finance module against available '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 Accounting Manager.

6. Purchase Approval

   Requisitions are properly approved by department Budget Control Officer before submitting to Purchasing Department for purchase. Purchase requisitions are forwarded to appropriate College department Budget Control Officer for electronic approval.

7. Approval Threshold

   Requisitions for purchases of $5,000.00 or above require a Vice President's approval. Requisitions are forwarded electronically via Banner to the appropriate Vice President for electronic approval.

8. Requisition Review

   Fiscal Services Accounting Manager reviews each request for purchase for reasonableness. Approval is captured electronically. Fiscal Services Accounting Manager reviews online requisitions validating the purchase is charged to the correct account code. Accounting Manager further ensures purchases requiring prior Board-approval is obtained. Requests for purchase that fail to meet these guidelines are rejected and returned to requesting department. Approved requisitions are then forwarded to Purchasing Department for further processing.

9. Special Events and Activities

   On November 14, 2007, the Board of Trustees approved the delegation of authority for approval of expenditures related to special events and activities up to $1,500. This approval authority has been delegated to the Vice Presidents and the President/CEO. Examples of special events are: in-service training, various seminars and workshops, and informal meetings, such as staff planning and operational meetings. All special event expenditures under $1,500 must have Vice President or President/CEO signature approval. Any requisitions for promotional items, food supplies and

catering services will automatically be forwarded to the appropriate Vice President for approval. Events that have related expenditures in excess of $1,500 must be approved by the Board of Trustees. If expenses are grant funded, then purchase of these items must be stated in the grant agreement; and specific board approval is not required.

10. Appropriation Transfers

    All appropriation transfers must be approved by the Assistant Director, Fiscal Services with the exception of appropriation transfers from Contingency or Reserves, which must be approved by the Associate Vice President, Fiscal Services and the Vice President, Administrative Services.

    All budget revisions are reviewed by the Assistant Director, Fiscal Services and approved by the Associate Vice President, Fiscal Services.

11. Budget Revisions

    Requests for budget revisions must be approved by the President, appropriate Vice President or designee.

    All budget revisions are reviewed by the Assistant Director, Fiscal Services and approved by the Associate Vice President, Fiscal Services.

12. Cost Review

    Requisitions are reviewed to identify additional costs. Buyers in the Purchasing Department review request for purchase to identify costs not included in the requisition. These costs may include sales 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.

13. Purchasing Approval

    Requisitions of $5,000.00 or more are approved by the Purchasing Manager. 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 formal written policy in bid seeking methods and procedures. 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. With the adoption of the Uniform Public Construction Accounting Act, purchase requests for Construction – Contractor Services follow procedures which specify when verbal quotes, written quotes, informal bid processing and formal bid processing with Board approval are used.

15. Proof of Competitive Pricing

    Manager of Purchasing reviews bid to ensure adherence to bid-seeking policy. District policy mandates that buyers are responsible to manage the bid-seeking process and ensure competitive pricing is obtained for purchases over $10,000.00 (including labor, taxes and shipping). Bids are reviewed and approved by the Manager of Purchasing before a purchase order is issued.

16. Purchase Order 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. After approval from the Purchasing Manager, the requisition is changed to a purchase order in the Banner purchase module. Purchase orders are delivered via US Mail, fax, or electronically.

17. Verification of Receipt

    College receiving warehouse confirms shipment of goods to purchase order information. Orders are fulfilled and shipped to the receiving warehouse. Warehouse personnel check delivery for errors in quantity, damages, etc. Warehouse personnel validate and enter received goods by entering a receiver in Banner.

    Goods are delivered by warehouse personnel to a final destination on campus.

18. Purchase Order Information Access

    Access to change, add, and delete purchase order information is restricted to authorized personnel. Receiving warehouse personnel are prohibited from modifying purchase order information. Banner is configured to provide "view" only access rights to warehouse personnel.

19. Fixed Assets Identification

    Furniture and equipment received with a 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. 3-Way Matching Process

    Accounts Payable must match 1) invoices, 2) Purchase Orders, and 3) receiving documentation prior to issuing warrant. Upon receipt of goods, the warehouse posts the items received in Banner and forwards receiving documentation to Accounts Payable.

21. Mathematical Accuracy

    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. Accounts Payable is further footed and cross-footed. Accounts Payable verifies all electronic validations have been obtained.

22. Change Order Review & Procedures

    Invoices are reviewed to identify additional costs. Accounts Payable ensures the proper tax rate has been applied, and that freight costs are taxable or non-taxable. When there is a difference between the invoice and the purchase order dollar amount, a change order is required prior to the 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 date, then alphabetical order by vendor. Payment packages are retained for a minimum of five years.

24. Invoice Report Approval

    Invoices (vouchers) are audited and approved by the Budget and Accounting Technician who reports directly to the Vice President, Fiscal Services who has been designated by the Board of Trustees (February 27, 2008) as the District Disbursing Officer. All questionable payment packages will be discussed with the Disbursing Officer prior to the issuance of the warrant. All invoices are routed electronically to the approval queue for auditing. Electronic approval is obtained.

25. B-Warrant and ACH Audit

    Commercial warrant and ACH support documentation is reviewed to ensure completeness and to ensure procedures and policy is properly followed. On a daily basis, Accounts Payables forwards completed payment package to the Budget & Accounting Technician for audit. Completed packages include approved Purchase Order and matching invoice and receiving documentation. ACHs payments that originate from the Banner Financial Aid Module are fed electronically to the Student Accounts Receivable Module.

    The Budget & Accounting Technician audits the completed packages and then approves the invoices using the Banner online approval process. The Budget and Accounting Technician produces the Invoice Selection Report, and will review it 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. Then the Commercial Warrant Register is returned to the Budget and Accounting Technician who will release 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 get an updated copy of the "Required Audit Documentation" list. Commercial warrants exceeding $14,000.00 or more per day, per single vendor, are subject to audit unless otherwise changed by the Los Angeles County Superintendent of Schools.

27. B-Warrant and ACH Authorization

    Once commercial warrants have been properly authorized, the Disbursing Officer or Designee will electronically sign commercial voucher register, authorizing the printing of warrants, and indicating warrants have successfully passed audit. ACHs will be electronically transferred to the bank.

28. Warrants and ACHs Issued

    The printing of commercial warrants or transfer of ACHs is segregated from the payable function. Once commercial warrants have been audited and cleared for physical check creation, a designee other than the Accounts Payable Staff prints the commercial warrant or transfers the ACH. The Disbursing Officer reviews and signs all warrant and ACH registers.

29. Warrant Control and ACH Control

    Warrants are secured from unauthorized personnel. Warrants are stored in a locked cabinet located in the vault in Fiscal Services. An accurate log of blank stock is maintained. Access is restricted to authorized personnel only. The ACH issuances are sent electronically to the bank by the Disbursing Officer or designee. Management validates the transfer using the Bank's security system.

30. Signature Plate Security & Control

    The District uses software that provides for electronic stamped signatures. 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 designee.

31. Bank Statement Reconciliation

    Bank reconciliations are completed immediately after monthly statement is received by the Accounting Staff. Outstanding checks report is generated from Banner System to begin bank reconciliation. Reconciliation is prepared by the Accounting staff and forwarded to Accounting Manager for review. Bank statement reconciliation is performed by a non-signatory on the account.

C. 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 Associate Vice President, Fiscal 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 District will employ the Assistant Director, Fiscal Services to verify performance.

   The Banner system will be configured to compare requisitions for purchase with department budget. 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 fund availability 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 Assistant Director, Fiscal Services or designee will review budget transfers for appropriate approval and budget availability prior to entry into the Banner system. Budget and Accounting Technician's initials on the budget action will evidence budget availability. Budget and Accounting Technician will return budget actions to the Assistant Director, Fiscal Services when they cannot be processed.

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

D. 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 the issuing of warrants.

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

   The Associate Vice President, Fiscal Services or designee will review the cash requirement summary and supporting documentation.

2. Cash Clearing Procedures

   All cash collected is delivered to designee by District campus security. Designee verifies cash collected and issues a receipt. All prepared receipts are in numerical order. Money is stored in the vault until Account Receivable staff prepares the deposit and the money is retrieved by armored car services. Daily receipts are broken down into three deposit types - curency, check, and coin.

   Designee prepares a tape of each day's cash receipts and also runs a separate tape for currency, checks, and coin. These tape totals agree and are attached to the duplicate deposit slip. Accounts Receivable staff also prepares a spreadsheet which shows the cash receipts in numerical order and subtotals the deposit amount on the right side.

3. Revolving Cash Procedures

   The District's revolving cash fund is used mainly for immediate payments for any District need. 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.

- Total fund is reconciled monthly.
- The bank account is reconciled monthly.
- The reconciliation is conducted by someone other than the revolving fund clerk.
- 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.
- The supply of blank checks is adequately controlled in a locked safe with limited access.

VII. Payroll Warrant Internal Control Procedures

A. Payroll Processing

1. **Payroll Payment – Academic Employees** *(EC 87821 & 87822)*
Each salary payment for any calendar month will be paid on the last working day of the month worked in which the employee was in paid status.

M1 Payroll = 175 day contract faculty paid over eleven months
M2 Payroll = 195 – 219 day contract faculty paid over twelve months
M3 Payroll = Part-time Faculty; paid on the 10th of the month

Payroll Payment – Classified Employees (EC 88165)

Each salary payment for any calendar month will be paid on the last working day of the month worked in which the employee was in paid status.

M2 Payroll = Employees paid over twelve months

Payroll Payment – Hourly Employees (i.e. Short-term Hourly, Professional Experts, Hourly faculty, etc.)

MH Payroll = Hourly employees who turn in timesheets based on hours worked. Hours worked from the first of month to the end of the next month will be paid on the fifteen (15th) of the next month.

1. Reissuance of "damaged and spoiled" payroll warrants
SEE [SECTION VI.A.1 AND VI.A.5] ABOVE FOR DETAILS

B. Direct Deposit

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

A payroll clerk will enter the bank ABA number into Banner, and employee account number from the payroll copy of the form. The form is retained for audit purposes. The employee will contact the District (Payroll Department) in the event of error.

To ensure that the routing number and account numbers are correct, payroll clerks will employ a test of the direct deposit prior to an actual pay warrant being sent to the individual's bank account.

C. Garnishments

Payroll Manager or designee receives legal notice of garnishment of employee wages. The Payroll Manager or designee will complete and return all necessary garnishment response forms, indicating employee's payroll information, amount to be withheld per the order, 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 and the District's Disbursing Officer or designee for audit purposes.

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, the Los Angeles County Superintendent of Schools or legal counsel will be consulted.

Orders include:

- Child support wage attachments.
- Internal Revenue Service or State Franchise Tax Board Liens.
- Civil Actions.

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.
- Educational Loan Collections Services.

When requesting payment to the agency, payroll will include information required to be on the face of the warrant to Accounts Payable. Examples include:

- Payee
- Street Address
- City, State, Zip
- Employee name
- SSN
- Case number
- Levy number
- Tax years collection
- Spouse name and SSN

If the information required on the face of the warrant cannot be accommodated by the Banner system, it will be manually typed on the

warrant. Further contact may 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 (ACH) as required or permitted by the various agencies.

Detailed procedures for processing garnishments are included in Banner User Guide for Payroll and Human Resources.

The Disbursing Officer or designee audits the form and legal notice and approves for payment prior to the issuance of the warrant.

D. TSA (Tax Shelter Annuity)

District has contracted with Schools First Federal Credit Union as it's third party administrator to handle all activities related to TSAs. Schools First Federal Credit Union will assume responsibility for compliance services, receiving requests, reviewing and approving and 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.

E. Retirement Reporting

The District has developed an interface, which extracts 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.

F. Direct Interface to Banner Financial System

The Banner Payroll Module directly interfaces with the Banner Finance System for posting all related payroll charges directly the General Ledger. The District has developed detailed procedures for processing the Payroll Feed to Finance. **(Exhibit I)**

To better manage the Fund 76 – Payroll Clearance Fund and mitigate the likelihood of an imbalance, the District has separated the object code for each type of deduction to exercise more control.

G. 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 hired date) for each newly hired employee so that the NER data can be crossed-matched to the Unemployment Insurance (UI) benefit payment file. All newly hired employees will be reported within 20 days of the start-of-work date.

The District reporting of new employees includes the following items:

- Employer Information
  - EDD employer account number.
  - Federal Employer Identification Number (FEIN).
  - Business Name.
  - Business Address.
  - Business telephone number.
  - Contact person.

- Employee Information
  - First, middle, and last name.
  - SSN.
  - Home address.
  - Start-of-work date

H. Replacement Warrants

See [Section VI.A.1 and VI.A.3] above for details.

I. W-2 Generation

The District's Banner payroll module will be configured to accurately generate annual W-2s based on annual earnings, including all changes required by the Internal Revenue Service. Fiscal Services will have the responsibility to print W-2s from the Banner system and mail W-2s for District employees. Requests to generate W-2s will be directed to the Payroll Department, in the event mailed copies were lost, damaged, or stolen. Identification will be validated for in-person requests to ensure proper authorization.

Banner will be configured to electronically submit annual W-2 information to Social Security Administration. Banner will be configured to generate edit/exception reports after transfer to identify discrepancies with the transfer.

J. Quarterly Reporting – EDD

The District will use the *California Quarterly Wage and Withholding Report* (DE 6) 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) on electronically.

K. Social Security / Name Match

To ensure the integrity of the W-2, Human Resources will obtain each new employee's name and SSN (actual card) to accurately enter such information into the Banner HR/Payroll modules.

Human Resources personnel request each new employee to produce his/her social security card. Human Resources may photocopy the SSN card for recording-keeping 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, 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 marriage or divorce), the employee will be advised to request a corrected card from the Social Security Administration (SSA). Human Resources will inform new 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. Four methods are as follows: Internet, telephone, paper, and media file storage.

L. Payroll Tax Payments

Tax payments withheld from employee compensation will be deposited by using the bank's designated software to deposit payments for Federal Withholding, Social Security, Medicare and State withholding tax payment.

In the event the District accumulates $100,000.00 or more in payroll tax payments on any day during a deposit period, Payroll will deposit the tax by the next banking day.

On a quarterly basis, the Payroll Manager will prepare and file the required Federal and State tax reports. These reports are reviewed and signed by the Associate Vice President, Fiscal Services prior to submission.

M. Cost of payroll warrant stock

District will bear the cost of payroll warrant stock. SEE [SECTION VI.A.7] ABOVE FOR DETAILS.

N. 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 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. Direct deposit remittance advices are available to employees on the Mt. SAC Portal. Employees have the ability to view, print or save these advices once they have logged in using a secure website.

O. 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 will do 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. Human Resources will input all new hire demographic data, job assignment and salary placement into Banner.

P. Position Control

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

Q. Separation of Duties

An individual must go through an initial submission of an application and interview process with the Human Resource Department. Once the individual has been selected for a position, Human Resources completes the necessary verifications of documents and submits the individual's name to the Board for hiring. When Board approved, the individual will be assigned a position number that includes the labor distribution budget account number before being entered into the Human Resource/Payroll System. If there is no active position, Fiscal Services will initiate this process pending the approval of the Associate Vice President and President's Cabinet. Documentation will be forwarded to the Payroll Department containing all necessary information needed to pay the new employee correctly. There will be security blocks in place so that the Human Resources has update capability to hiring screens only and Payroll only has update capability to screens necessary for the processing of payment and miscellaneous deductions.

R. Authorizations

Payroll registers will be duplicated, and one will be kept in the Payroll Department and one will be reviewed and used by the Accounting Department. 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 and their appropriate signatures are sent to Payroll for processing.

S. 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 Services 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. Fiscal Services Disbursement Officer, or designee, will review each payroll and review a sampling, assuring required approvals, documents, Board approvals, etc.

T. 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 is allowed to go into a deficit, it is reviewed by the Accounting staff and a request for a budget transfer is issued.

U. Payroll Expenses

Banner has budget by major object and by location. If a payroll register exceeds a department's budget, an appropriation transfer will be necessary. This process will be handled by the Accounting department.

V. Federal & State Reporting

The Banner Payroll System will calculate all Federal and State Taxes. Tax deposits will be made using the Electronic Federal Tax Payment System through our bank.

W. Garnishment Deductions

Garnishments will be calculated and withheld according to the type and/or instructions on the withholding order. They will be remitted to the appropriate agency in the prescribed manner and time frame required. The withholding and the remittance accounts will be balanced monthly.

X. 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 agent requesting the check and a signed receipt is required.

Y. Unclaimed Payroll Checks

Unclaimed payroll checks are kept secured in a locked safe in the vault, which is located in Fiscal Services. Checks are accessible only to payroll staff.

Z. Payroll Deductions

Deductions will be posted in Fund 76-Payroll Clearance Fund separate from the operation accounts. The deductions are paid promptly to vendors and reconciled on a monthly basis.

AA. Security Access

Banner has different levels of security access to ensure appropriate internal controls. Each individual will have access to only those areas needed to complete their

assigned duties. Strong internal controls are maintained. Approval and overrides will only be available to the appropriate manager.

VIII. Data Processing Internal Control Procedures

A. Adequate Data Processing

The District is implementing a fully integrated Enterprise Application System – the Banner system from Sungard Higher Ed. 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.

Implementation of the Banner system is well underway, with critical hardware and servers in place. The Finance, Accounts Payable and Purchasing modules went live as of January 1, 2008. The Human Resources/Payroll Module went live March 1, 2009. The Student module went live for summer 2009 registration on May 13, 2009. The Fixed Asset Module went live on July 1, 2009.

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.

B. 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 LTO tapes; tapes are stored locally in a secure tape vault as well as being sent to a secure offsite data storage facility (Iron Mountain). Backup tapes 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.

C. 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. Security sessions are conducted on a regular basis and security fairs have been held annually. 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.

D. Software Upgrades
All software upgrades are implemented in a test database. Each 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.

IX. Education Code 85266/85266.5, Community College Fiscal Accountability **(Appendix J)**

Appendix

Appendix A	Request For Fiscal Accountability Status (Board Agenda)
Appendix B	Fiscal Accountability Application
Appendix C	Designation of Disbursing Officer
Appendix D	Bond – Evidence of Coverage
Appendix E	Organizational Chart – Fiscal Services Department
Appendix F	Associate Vice President, Fiscal Services – District Disbursing Officer Job Description
Appendix G	Budget and Accounting Technician Job Description
Appendix H	Los Angeles County Office of Education – Commercial Claims Document Checklist
Appendix I	Payroll Feed to Finance Checklist
Appendix J	Education Code Section 85266 and 85266.5
Appendix K	Fiscally Accountability Status – Approval Letter
Appendix L	Request For Fiscal Independence Status (Board Agenda)
Appendix M	Fiscal Independence Application – Los Angeles County Superintendent of Schools and California Community Colleges System Office