

**CALIFORNIA COMMUNITY COLLEGES  
CHANCELLOR'S OFFICE**

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November 7, 2011

Linda Baldwin, Associate Vice President, Fiscal Services  
Mt. San Antonio CCD  
1100 N. Grand Ave  
Walnut, CA 91789

Dear Linda:

Please accept this letter as confirmation that the Board of Governors today approved the district's request to become Fiscally Independent pursuant to Education Code section 85266.5.

Sincerely,

A handwritten signature in blue ink that reads 'Frederick E. Harris'. The signature is fluid and cursive, with a small flourish at the beginning.

FREDERICK E. HARRIS, Assistant Vice Chancellor  
College Finance and Facilities Planning

# **MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT FISCAL INDEPENDENCE REQUEST**

## **CONSENT CALENDAR**

Presentation: Dan Troy, Vice Chancellor for Fiscal Policy

## **Item X.X**

### **Issue**

This item presents a request for fiscal independence status pursuant to Education Code section 85266.5 from Mt. San Antonio Community College District (Mt. SAC) to be effective July 1, 2012.

### **Background**

Fiscal independence gives districts broad authority to issue warrants without review or approval of the County Office of Education or County Auditor. Under Education Code section 85266.5, fiscal independence is granted by the Board of Governors, based largely on the recommendation from the community college district's applicable county offices and results of an independent Certified Public Accountant (CPA) survey of the district's accounting controls. A total of eight community college districts currently have fiscal independence status.

### **Analysis**

#### **Application for District Fiscal Independence**

As presented in a Chancellor's Office Accounting Advisory dated August 16, 2007, the process for an applicant district to have its application approved by the Board of Governors pursuant to Education Code section 85266.5 is as follows:

- In order to obtain the approval of the Board of Governors, a community college district shall file a written application with the county superintendent of schools.
- Upon receipt of the application, the county superintendent of schools shall cause a survey to be made of the district's accounting controls by an independent certified public accountant or public accountant in accordance with standards prescribed by the Board of Governors.
- The certified public accountant or public accountant shall report his or her findings and recommendations to the county superintendent, county auditor, and to the applicant district.

- The county superintendent shall forward the district's application, together with his or her other recommendations and the recommendations of the county auditor and a report of the survey, to the Board of Governors for approval or disapproval of the application.
- The Board of Governors shall approve the application only if it finds that the accounting controls of the district are adequate. If the Board of Governors determines that these controls are inadequate, it shall disapprove the application.
- The county superintendent of schools shall be reimbursed for all costs incident to the accounting controls survey made pursuant to the district's application, from the district's funds.
- When approved by the Board of Governors, the issuance of warrants pursuant to this section shall be effective at the beginning of the fiscal year if the approval had been made prior to the preceding first day in January.
- In the event that the issuance of warrants has been disapproved, the Board of Governors shall state the specific steps, which must be taken by the district in order to receive approval.
- If at any time the county superintendent of schools determines that the accounting controls of the district have become inadequate, he or she may recommend to the Board of Governors that the approval be revoked, to be effective on the first day of the next following fiscal year.

### **Standards for Approval of District Applications for Fiscal Independence**

The following four accounting control standards are intended to serve as broad and general guidelines for evaluating a district's ability to issue warrants directly on the county treasury without review and approval of the county auditor and county superintendent of schools. Generally, scrutiny of the legality and propriety of district accounting transactions has been performed by the county superintendent of schools. Under fiscal independence, the chief financial officer and the accounting staff of the district must provide that scrutiny.

- **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.

### **Review of Mt. San Antonio CCD's Request**

In its review of Mt. Antonio CCD's capacity to become fiscally independent, the certified public accountancy firm Vavrinek, Trine, Day & Co., LLP (VTD) found that the district was in compliance with all four required accounting control standards. The firm noted the district has been successful in building a system capable of achieving fiscal independence.

Mt. San Antonio CCD was granted Fiscal Accountability Status, pursuant to Education Code section 85266 by the Los Angeles County Superintendent of Schools, effective, July 1, 2009. Since this approval, Mt. San Antonio CCD has independently performed all banking, cash management, and cash reconciliation functions directly with the Los Angeles County Treasurer.

The District also implemented a fully integrated enterprise application system across the entire campus, which no longer has to be interfaced with the Los Angeles County Superintendent's Human Resource/Payroll and Financial Management systems. This has enabled the District to eliminate duplication of effort, and has greatly increased efficiency, internal controls, and financial controls. Departments, employees, and students now have online access to all their financial data.

Separating from LACOE has saved Mt. SAC approximately \$350,000 annually. The cost savings will increase annually with fiscal independence. The District will no longer pay fees to LACOE for use of their services.

In their annual audit report dated November 15, 2010, Vicenti, Lloyd & Stutzman LLP made the following observations:

"As a result of the Fiscal Accountability Status, the District assumed the majority of the responsibilities previously performed by the Los Angeles County Superintendent of Schools for fiscal, budget, human resources/payroll, and financial management systems processing. In addition, the District assumed oversight for the internal audit function for the issuance of payroll and commercial warrants. The Los Angeles County Superintendent of Schools still retains high level oversight of the District, but is no longer involved in the day-to-day activities. Their new role is to ensure that the District complies with the approved Fiscal Accountability Plan."

"The District ended with a significant positive ending balance due exclusively to careful planning, conserving and sacrificing across the campus. The District will continue with its conservative

approach to maintain healthy reserves. These healthy reserves will permit the continuation of many outstanding programs and services for which the District is known, while allowing for careful consideration for the 2011-12 budget plans and beyond.”

The Chancellor’s Office staff has reviewed the materials provided by Los Angeles County and their designated CPA firm, and we concur that Mt. San Antonio CCD satisfactorily meets all four accounting control standards required for fiscal independence. In order for fiscal independence to become effective July 1, 2012, Education Code requires that this request be approved by the Board of Governors prior to January 1, 2012.

#### **Recommended Action**

The Board of Governors concur in the recommendation of the Los Angeles County Superintendent of Schools and the County Auditor/Controller and approve fiscal independence status for Mt. San Antonio CCD effective July 1, 2012.