BUDGET AND FINANCE COMMITTEE
INTERNAL AUDIT DEPARTMENT
2015-16 Second QUARTER REPORT
January 27, 2016

A. Audit Reports
   I. “Association Student Organization Audits” Summary Report Seven Colleges with
      Executive Summary Reports
      a. Los Angeles City College
      b. East Los Angeles College
      c. Los Angeles Harbor College
      d. Los Angeles Mission College
      e. Pierce College
      f. Los Angeles Valley College
      g. West Los Angeles College

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B. Reference Documents:
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   II. Audit Report Rating Matrix
INTERNAL AUDIT DEPARTMENT (IAD)
Associated Student Organization Audits

Summary Report

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SUMMARY OF COMMON FINDINGS:

ASO:

A. Revenue, Donation and Fundraising Activities
   1. The ASO student representation fee was not used exclusively on student travel expenses.
   2. Income revenue was not posted daily to the ASG account.
   3. ASO is not submitting cash collections to the Fiscal Office within one business day.

B. Payments
   1. All ASO transactions are not posted to the Quick books accounting software.
   2. The necessary supporting documentation was not provided to ascertain the validity of payment made for expenditures.
   3. Expenditures procured were not properly authorized and/or approved.
4. The ASO does not require students participating in ASO sponsored and funded field trips or excursions off-campus to complete the Excursion Field Trip form containing a Waiver Section.

5. Expenditures procured that were over $1000.00 were not properly authorized and/or approved by the ASU Finance Committee.

C. Walkthrough
   1. The ASO and the Fiscal Office does not have a process in place for maintaining, updating, and validating signatory cards associated with fund accounts attributed to the ASO.
   
   2. Lack of segregation of duties were noted within the the college Fiscal Office associated with the processing of transactions, disbursement request approval and posting transactions to the general ledger.
   
   3. ASO funds are commingled with college funds that are associated with non-related ASO activities
   
   4. The ASO does not have written policy and procedures for all pertinent areas.
   
   5. Assets purchased with ASO funds were not tagged with LACCD tag.

D. Bank Reconciliation
   1. The Fiscal Office does not have a process in place to close out dormant accounts that are associated with the ASO for which no activities was performed for more than two consecutive years.
   
   2. The College Fiscal Office does not have a process to stale date outstanding checks that are past six months as several denoted as outstanding checks in the bank reconciliation for June 2015 were issued as far back as Fiscal year 11/12.

E. Scholarships
   1. There are no written procedures to ascertain the selection process for ASU scholarship recipients.

Non-ASO
   1. The College does not perform due diligence in ensuring that the ASO bank account reconciliations are properly prepared as the bank reconciliations were not signed and dated by the preparer and/or approver.
   
   2. The Fiscal Office is offsetting all the ASO Credit Card & Check receipts against the cash collected for online and offline cash sales.
Executive Summary

Audit: Los Angeles City College – Associated Student Government (ASG) Audit

From: Arnold Blanchard, CPA/MBA, Director, Internal Audit

Audit Report Date: May 31, 2015

Audit Period: July 1, 2012 through December 31, 2014.

Overall Audit Rating

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Overall risk program has some notable weaknesses. A “considerable” rated or numerous “moderate” rated findings were identified. Control weaknesses were identified, which require corrective action in the near term to avoid significant financial loss, regulatory criticism or negative publicity. Risk management processes are not formalized and documented in all instances and are not clearly understood or followed consistently. Senior management attention is required to ensure corrective action is implemented and adhered

BACKGROUND

The Los Angeles City College Associated Student Government (ASG) is the representative body of students charge with the following responsibilities:

A. to promote an effective system of government for the students;

B. to promote, initiate and coordinate educational and social activities for the students at Los Angeles City College;

C. to supplement and complement formal education on campus;
Los Angeles Community Colleges District

D. to fairly represent student interest, needs, and welfare within the College community;

E. to recognize, represent, and support the diversity of needs and views of students at the College;

F. to provide for the expression of student opinion and interests to the community at large on issues affecting student life;

G. to provide a physical and social environment in which to achieve the above objectives in accordance with the educational and cultural standards of the College;

H. To promote the general educational welfare and to enhance the Academic benefits offered by the State of California.

The ASG is authorized by college administration and officers are elected by students that are enrolled at Los Angeles City College (LACC). Currently the elected body consists of six and nine elected students officers and Senators respectively.

The ASG supports the growth of LACC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASG representative is elected by students of all nine colleges within the LACCD as a student Trustee on the Los Angeles Community College District (LACCD) Board of Trustee as a means to voice concerns and participate in matters that directly impact LACCD students.

Members of the ASG enjoy the benefits of:

- Upgrade to preferred parking,
- 20 Fee Copy Prints
- Leadership experience
- 1st 100 students free flash drives or other item
- One free Scranton per week
- One free bluebook per week
- ASG exclusive scholarships
- Education/ book grants
- Admission to all ASG events
- Free food and prizes at ASG events
- Volunteer opportunities
Los Angeles Community Colleges District

- Becomes ASG support staff
- Apply for ASG Board Position
- Discounts on AMC movie tickets
- Discounts at local businesses
- Priority in food forward distribution
- Resource Center and more

The ASG Student Council meets on twice a month in which the students plan ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the Associated Student Government is responsible for raising and expending ASG funds under the trusteeship of the college Chief Business Officer which serves as the college President's designee. All ASG transactions are subject to review by the Chancellor and/or Board of Trustees, and must be in conformity with LACCD board and administrative policies governing the ASG program.

The ASG is governed by:

- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASG Constitution and Bylaws
- Robert's Rules of Order

In accordance with LACCD, LACC, and ASG policies, all campus clubs must be formally chartered by the ASG. The ASG Executive or Administrative Vice President and the ASG Advisor are required to supervise the club chartering process. Applications are made available at the beginning of each semester in the student activity center on the 2nd floor at the Student Union building.

The funds for the ASG are generated through student membership dues, student representative fees, and fund raising events that are attributed to various college clubs. The LACC Business Office is responsible for collecting all funds associated with the ASG, ensuring that deposits are made to the ASG bank accounts, and maintaining all accounting for the ASG. The ASG revenue per the LACCD
annual audited Basic Financial Statement and Supplemental Information for the FY2012-2013 and FY 2013-2014 was $92,608 and 105,775 respectively.

PURPOSE/OBJECTIVE

The objectives of this audit are:

- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures.
- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management’s authorization and recorded properly.
- Internal controls within the daily operational activities of the ASG are adequate to mitigate potential risks.
- The funds are used to meet the ASG goals and objective.
- The current policies and procedures are adequate in running an effective and efficient association

SCOPE

The scope of the audit will include the review of processes and procedures that include all ASG activities for the period July 1, 2012 through December 31, 2014. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the Los Angeles City College ASG processes relating to the college activities and ascertained the controls currently in place are operating effectively and efficiently.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the Standards for the Professional Practice of Internal Auditing.
Major Issues Identified:

A. **Revenue, Donation and Fundraising Activities Finding:**

1. **Non-compliance with LACCD policies and procedures:** Income revenue was not posted daily to the ASG account. This equates to a 100% error rate and a dollar error amount of $182,577.74. *(Impact: High)*

B. **Payments Findings**

1. **Non-compliance with LACCD policies and procedures:** All transactions are not posted to the Quick books accounting software. *(Impact: Considerable)*

2. **Non-compliance with LACCD policies and procedures:** The necessary supporting documentation was not provided to ascertain the validity of payment made for expenditures. This equates to a dollar error rate of 67% and a dollar error amount of $42,824.51.* (Impact: Considerable)*

3. **Non-compliance to LACCD policies and procedures:** Expenditures procured were not properly authorized and/or approved. This equates to an error rate of 4.92% error rate and a dollar error amount of $1,452.32. *(Impact: Moderate)*

C. **Walkthrough Finding**

1. **Non-compliance with LACCD policies and procedures:** Lack of segregation of duties were noted within the LACC Business office associated with the processing of transactions, disbursement request approval and posting transactions to the general ledger for Associated Student Government (ASG). *(Impact: Considerable)*

D. **Bank Reconciliation Findings**

1. **Non-compliance with LACCD policies and Procedures:** An ASG bank account was closed by LACC Administration without proper approval from the ASG organization and/or Board of the ASG. This equates to a 16.7% error rate and a dollar error amount of $1,814.48. *(Impact: Moderate)*

2. **Non-compliance to LACCD policies and procedures:** Bank Reconciliations showed items that were noted as outstanding transactions that has not yet cleared bank for several recurring months that span over one year. No Adjusting entry was made to clear this amount. This equates to a 100% error rate and a dollar error amount of $935.77. *(Impact: Moderate)*
Action Plans and Completion Dates:

A. Revenue, Donation and Fundraising Activities Finding
   1. The College has set up the Accounts Receivable account in QuickBooks to reflect ASG collections for May 2015. (Implementation Date: May 2015)

B. Payments and Transactions Findings
   1. The College started posting cancel checks into quick book as of June 3, 2015. (Implementation Date: June 3, 2015)
   2. The Associate Dean of Student Life, ASG staff, and College Business Office staff will follow established policies and procedures that require all supporting documents be accompanied by a purchase request, original invoice or receipt. (Implementation Date: September 30, 2015)
   3. A check list will be created to assist in ensuring compliance to this process. (Implementation Date: September 30, 2015)
   4. The Associate Dean of Student Life, ASG staff and Business Office staff will implement training on policies and procedures. (Implementation Date: September 30, 2015)
   5. The Associate Dean of Student Life, ASG staff, and Business Office staff will follow established policies and procedures that require all supporting documents be accompanied by a purchase request, original invoice or receipt. (Implementation Date: September 30, 2015)
   6. The Business Office Staff and the Associate Dean of Student Life will establish a controls list that will mandate that all the required documents (only authorized signors) and signatures are completed prior to the final approval and the printing of the check. (Implementation Date: September 30, 2015)
   7. The Associate Dean of Student Life, ASG staff and Business Office staff will implement training on policies and procedures. (Implementation Date: September 30, 2015)

C. Walkthrough Finding
   1. Reevaluate the operating process and develop a process that will delineate the segregation of duties for collecting, accounting and reconciling of cash. (Implementation Date: June 2015)

D. Bank Reconciliation Findings
   1. The College has performed the necessary step to ensure that all the necessary procedures will be taken prior to closing an ASG bank account. (Implementation Date: May 2015)
   2. The College has performed the necessary step to ensure that all outstanding transactions that has not yet cleared bank are stale dated as necessary. (Implementation Date: June 2015)
Signatures:

Renee Martinez, President

John al-Amin, Vice President of Administrative Services

Date: 6/23/15

Cc:
Finance and Audit Committee, LACCD Board of Trustees
Francisco C. Rodriguez, Chancellor
Adriana Barrera, Deputy Chancellor
Camille Goulet, General Counsel
Jeanette Gordon, Chief Financial Officer/ Treasurer

Audit Team:
Arnold Blanshard, CPA/MBA, Director, Internal Audit
Keyna Crenshaw, Senior Auditor
Mariean Carranza, CIA/CFA/MBA, Auditor
Los Angeles Community Colleges District

Report No. E-06-1516
Executive Summary

Audit: East Los Angeles College ASU Audit

From: Arnold Blanshard, CPA/MBA/CRMA, Director of Internal Audit

Audit Report Date: December 31, 2015

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Overall risk program is not acceptable. Multiple “high” or “considerable” rated findings were identified. Control deficiencies place the District/college at an imminent risk of material financial loss, significant regulatory criticism, fines, sanctions or significant reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or are not sufficiently documented, communicated and/or followed. Immediate Executive management attention is required to implement corrective action, including formalizing and communicating risk management procedures.

BACKGROUND

The East Los Angeles Associated Student Union (ASU) is the representative body of students that offer opinions and make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASU was established to promote the general welfare and moral of the students. The ASU is authorized by college administration and officers are elected by students that are enrolled at East Los Angeles College (ELAC). The ASU board is made up of eight executive officers, six commissioners and six senators which seek to represent its’ constituents. ASU advocates the needs of the student body at the College, District, and State levels.

The ASU supports the growth of ELAC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASU representative is represented on the LACCD Board of Trustee as a means to voice concerns and participate in matters that directly impact students. Members of the ASU enjoy the benefits of receiving discounted/preferred parking, access to book
through a book rental program, discounts to local retailers/restaurants, free snacks, scantrons and green book, and leadership experience.

The ASU Finance Committee meets on Tuesdays and Student Senate meetings are held on Wednesdays in which the students plan on ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the ASU is responsible for raising and expending ASU funds under the trusteeship of the college Associate Vice President of Administrative Services which serves as the college President’s designee. All ASU transactions are subject to review by the Chancellor and/or Board of Trustees, and in conformity with Los Angeles Community College District (LACCD) board and administrative policies governing the ASU program. The ASU is governed by:

- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASU Constitution and Bylaws
- Robert's Rules of Order

The funds for the ASU are generated through student membership dues, student representative fees, book rentals, theatre ticket sales, and fund raising events that are attributed to various college clubs. The ELAC Business Office is responsible for collecting all funds associated with the ASU, ensuring that deposits are made to the ASU bank accounts, and maintaining all accounting for the ASU. The ASU revenue per the annual audited income statements for the FY2013-2014 and FY 2014-15 was $222,324.00 and $222,257.00 respectively.

**PURPOSE/OBJECTIVE**

The objectives of this audit are to provide management with reasonable, but not absolute, assurance that:

- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures.
Los Angeles Community Colleges District

- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly.
- Internal controls within the daily operational activities of the ASU are adequate to mitigate potential risks.
- The funds are used to meet the ASU goals and objective.
- The current policies and procedures are adequate in running an effective and efficient association.

**SCOPE**

The scope of this audit included a review of processes and procedures of the ASU business office records for the period **July 1, 2013 through June 30, 2015**. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the college business office and performed an examination of the records associated with the operation of the ASU.

*This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing.*

**Major Issues Identified:**

**A. Bank Accounts**

1. **Non-compliance to LACCD policies and procedures**: The Fiscal Office does not have a process in place to close out dormant accounts that are associated with the Associate Student Union (ASU). A total of 38 ASU club accounts have been dormant with no activities for more than two consecutive years. The total amount of cash attributed to dormant accounts totaled $16,733.40. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures**: The ASU Bank account was used for wire transfers from International students attending ELAC. The College International Students Office/Program (ISP) and the Fiscal Office instructed the students to make these transfers to the ASU bank account instead of the LACCD Bank account. A total of 33 transactions identified totaling $166,219.20. *(Impact: High)*

3. **Non-compliance with Best Practice and LACCD policies and procedures**: The ASU is acting as bank by accepting wire transfers from International Students in amounts that exceed the tuition, registration and other fees due to the college and
thereby issued refunds to the international student for the overpayment. The dollar amount associated with this error totaled $9,155.00. *(Impact: High)*

**B. Payments**

1. **Non-compliance to LACCD Administrative Regulations:** The ELAC ASU does not require students participating in ASU sponsored and funded field trips or excursions off-campus to complete the Excursion Field Trip form containing a Waiver Section. This equates to 100% error rate and dollar error of $20,111.43. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures:** Expenditures procured that were over $1,000.00 were not properly authorized and/or approved by the ASU Finance Committee. This equates to an error rate of 88% and a dollar error of $140,733.28. *(Impact: High)*

3. **Non-compliance with LACCD policies and procedures:** The necessary supporting documentation was not provided to ascertain the validity of these expenditures. The dollar error percentage was 59% and the dollar value associated with this error is $448,039.54. *(Impact: High)*

**C. Walkthrough**

1. **Non-compliance to LACCD policies and procedures and Industry Best Practices:** ASU funds are commingled with college funds that are associated with non-related ASU activities. *(Impact: High)*

2. **Non-compliance with LACCD policies and procedures:** The Business does not maintain a daily, weekly or monthly revenue account for the ASO. *(Impact: High)*

3. **Non-compliance with Industry Best Practice:** The ELAC Fiscal Office does not advise or update the ASU Advisor on matters regarding ASU finances. *(Impact: Considerable)*

4. **Non-compliance with Industry Best Practice:** The ASU does not have written policy and procedures for all pertinent areas. *(Impact: Considerable)*

**C. NON ASU**

1. **Non-compliance to LACCD policies and procedures:** Assets purchased with ASU funds were not reported in SAP and tagged. This resulted in a 100% error rate and the dollar error is $44,962.66. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures:** The College does not perform due diligence in ensuring that the ASU bank account reconciliations are properly prepared as the bank reconciliations were not signed and dated by the preparer. This equates to 100% error rate. *(Impact: High)*
3. **Non-compliance to LACCD policies and procedures:** An Employee of the East Los Angeles College was issued ASU checks as payment for performing additional classified work at the college. The amount associated with this error totaled $37,230.00. *(Impact: High)*

4. **Non-compliance to policies and procedures and LACCD Board Rule and Policies and Procedures:** There are internal weaknesses with the safeguarding of assets as the door to the room that housed the vault is left unlocked during business hours. This room is located in the money room that is accessible to all the cashiers. *(Impact: High)*

5. **Non-compliance with LACCD policies and procedures:** ELAC Fiscal office does not make ASU bank deposits timely. Deposits are made twice a week *(Impact: High)*

6. **Non-compliance with LACCD policies and procedures:** The Fiscal Office is offsetting all the ASU Credit Card & Check receipts against the cash collected for online and offline cash sales. In the month of August 2013, the Fiscal Office charge against cash sales a total of $23,783. *(Impact: High)*

7. **Non-compliance to LACCD policies and procedures and best practices:** The Fiscal Office is making payments to vendors without receiving sufficient invoicing documents. This equates to a 28% error rate and the dollar value associated with this error is $57,349.00 *(Impact: Considerable)*

**Management Responses:**

**A. Bank Accounts**

1. The College noted the issue and began immediate correction by developing a process for Notification of Dormant Account Closure in conjunction with Fiscal Office. ASU and Fiscal Office are working to review Clubs that have been chartered, obtain listing of all ASU accounts with identified amounts in account, and has notified Club Advisors of dormancy following the district’s S3 procedures. In addition, the ASU is finalizing a revised ASU Policies and Procedures Manual that includes the new charter application process and has a new form that provides Notice of Dormancy Action. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

2. ISP and Fiscal Office management will create a well-defined procedure for the transfer of tuition payments to the correct LACCD bank account by international students. This procedure will be consistent with the D.O. policy for such payment transfers. The ISP invoice will be revised to read the correct banking information as recommended. ELAC Fiscal Office will conduct trainings on policies and procedures for such payments/transfers for staff responsible for handling tuition transfer payments.

ELAC will conduct self-audits to ensure that the policies and procedures that are implemented are followed by employees. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understood the policy and procedures. Accountability will be treated as a Personnel matter. *(Implementation Date: August 2016)*
3. The College Business Office will coordinate all wire transfers from International Students for tuition and other registration fees. The Business Office will only accept the exact dollar amount of the tuition and only accept one transfer per semester. The College will create a review and approval process for accepting wires, applying the funds to international student fees and reconciling wire transfers.
   - Communication will be made to international students regarding the exact fees that will be accepted.
   - All guidelines regarding I2O will be strictly adhered to.

ELAC will conduct self-audits to ensure that the policies and procedures that are implemented are followed by employees. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures. Accountability will be treated as a Personnel matter. *(Implementation Date: August 2016)*

**B. Payments**

1. The College starting in November, 2016 instituted a new process in which Student Travel and Conference Request is managed. The Student Services Division Office will collaborate with ASU, Fiscal Office, and Academic Affairs to coordinate the proper documentation so that the Student Travel Request with Field Trip Waivers are submitted along with the request for payment. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures. Accountability will be treated as a personnel matter. *(Implementation Date: September 2016)*

2. The ASU Office will submit a list of expenditures and place on ASU BAC’s (Finance Committee’s) bimonthly meeting showing the ratification list of expenditures. *(Implementation Date: September 2016)*

3. The College starting in November, 2016 instituted a new process in which Student Travel and Conference Request is managed. The Student Services Division Office will collaborate with ASU, Fiscal Office, and Academic Affairs to coordinate the proper documentation so that the Student Travel Request with Field Trip Waivers and supporting documentation are submitted along with the request for payment. *(Implementation Date: November 2016)*

**C. Walkthrough**

1. The College will establish policies and procedures that will incorporate controls that monitor program fiduciary activities to include the types of accounts being managed on the ASU books. The College will utilize ASU accounts for items that are only ASU related.
All current non-ASU accounts or clubs will be identified and account holders will be notified of the impending closure of such accounts (if applicable). If the non-ASU accounts are classified as college business in nature then the appropriate account will be transferred to the respective college account.

The College will implement training for ASU officers and involved management on policy and procedures. Self-audits will be conducted to ensure compliance with policies and procedures. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understood policies and procedures. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

2. The Fiscal Office will develop a daily cash receipt and revenue account in the ASU QuickBooks. The Fiscal Office will generate daily, weekly and monthly revenue report to assist the ASU in their administration. Reconciliation will be performed on a monthly basis to ensure that all ASU cash collected are deposited into the ASU bank account.

The Fiscal Office will implement policies and procedures for the complete and accurate reporting/record of on-line and off-line cash collections. ELAC will train all employees that are responsible for overseeing cash on policies and procedures for handling and reporting cash collections.

ELAC will conduct self-audits to ensure that the policies and procedures that are implemented are followed by employees. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures related to cash collection. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

3. The College will establish a policy whereby: Regularly scheduled meetings are held between the Fiscal Office management and the ASU Advisor.
   - The purpose of the meetings will be to review ASU bank accounts, expenses, budget line items, and other matters that impact ASU fiscal operations.
   - Fundraising activities by the ASU or its clubs will be reviewed to ensure compliance with LACCD policies.

Fiscal Office and ASU staff will be trained on existing and new policies. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedure. Accountability will be treated as a personnel matter. A yearly validation process will be implemented for the policy and procedure which will ascertain that all procedures are followed. *(Implementation Date: August 2016)*

4. The College will include in their operating manual, utilizing the district bookstore model, a policy and procedure describing the tracking of cost effectiveness for the two items of the purchase of ASU assets and book rentals and will include in a summary efficiency report. *(Implementation Date: September 2016)*
D. Non ASU

1. All assets purchased will be delivered to the receiving department. Receiving department will record the assets in SAP and generate an inventory tag. College procurement management will invite ASU and Fiscal Office staff to training regarding the LACCD procurement policies and procedures. ASU and Fiscal Office staff will comply with LACCD procurement procedures regarding the purchasing of ASU assets.

Asset management will be handled by the Receiving Department as all employees are trained in the responsibility of identifying and reporting of assets in SAP. College will implement internal policies and procedures that will mandate that ASU and the Fiscal Office maintain an asset listing on an annual basis and implement an annual inventory to ensure that all assets are physically located and properly tagged in conjunction with stock control staff. Any missing items will be reported following appropriate steps.

The College will strengthen controls to ensure that assets are reported in the SAP system as assets so that the asset can be assigned a tag number and tracked through the SAP system. Receipt of acknowledgement will be provided and documented to ensure that ASU and Fiscal Office employees have read and understand the procurement policies and procedures. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

2. The Business Office will create policies and procedures that mandate bank reconciliations are performed monthly and ensure that the preparer and reviewer sign and date the reconciliations. The reconciliation template will be updated to include a line for the preparer signature. The College will provide adequate training regarding the policies and procedures for performing timely bank reconciliations.

The Business Office will have more than one staff person performing this function by re-scheduling month end workloads of employees in the department. The College will conduct self-audits to ensure that bank reconciliations are completed timely. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understood the policies and procedures. *(Implementation Date: August 2016)*

3. ELAC adheres to LACCD policies and procedures relating to LACCD or ELAC employees to ensure that payments to employees are not issued. ELAC will train staff regarding the LACCD policies and procedures prohibiting such employment.

The Fiscal Office will calculate and deduct the appropriate payroll tax deductions, over an agreed upon period that should have been deducted from the employee wages and pay these back taxes to the necessary taxing agencies.

Self-audits will be performed to ensure that policies and procedures are adhered to by all employees that are responsible for organizing or supervising ASU sponsored and funded excursions, and that no other LACCD employees have been improperly paid by the ASU. Receipt of acknowledgement will be provided and documented to ensure that all
employees have read and understand the policy and procedures. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

4. The Fiscal Office will secure cash in the money room vault. The Fiscal Office will implement policies and procedures that require cash to be deposited to the bank no later than the end of the next business day. ELAC will train all employees that are responsible for overseeing cash on policies and procedures for handling cash. Self-audits will be conducted to ensure that the policies and procedures that are implemented are followed by employees. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures related to cash collection. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

5. The business office will ensure all collections to the City National bank are performed on a daily basis. A monthly reimbursement check will be issued to the ASU for deposit into the preferred bank. The Business Office will make deposits no later than the close of the business day on the next business day following the date of collection.

The College will implement training for employees and management on policy and procedure for tracking deposits timely. Self-audits will be performed to ensure that policies and procedures are adhered to by all employees that are responsible for collecting and depositing cash. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

6. The Business Office will deposit all cash received to the bank. The Business Office will report all cash collected on the Miscellaneous Report for online and offline transactions. The business office will cease the practice of offsetting credit charges and checks against cash. The Business office will issue a monthly reimbursement check to the ASU for collection made on behalf of ASU.

The College will conduct training to aid compliance to this finding. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understand the policy and procedures researching, resolving discrepancies and reporting requirements. Accountability will be treated as a personnel matter. *(Implementation Date: August 2016)*

7. The ASU and Fiscal Office will implement written policies and procedures that require all request for payments to be accompanied with documentation, such as invoices, timesheets, contracts, and any other concrete documentation that justify the amounts to be paid. Documentation will be maintained denoting that the ASU and Fiscal Office performed due diligence. The Fiscal Office will reject payments for any requests that are not supported by valid documentation and invoices.

Policies and procedures will be implemented that will require the ASU Board to ratify expenses/purchases. The ASU and Fiscal Office will provide training to all employees
responsible for complying with procurement policies and procedures. Self-audits will be conducted to ensure compliance with policies and procedures. Receipt of acknowledgement will be provided and documented to ensure that all employees have read and understood policies and procedures. Accountability will be treated as a personnel matter. (Implementation Date: August 2016)
Signatures:

Marvin Martinez, President

Date: 1/20/16

Ann Tomlinson, Vice President, Administrative Services

Date: 1-20-16

cc:  Finance and Budget Committee, LACCD Board of Trustees.
    Francisco C. Rodriguez, Chancellor
    Adriana D. Barrera, Deputy Chancellor
    Jeanette Gordon, Chief Financial Officer/ Treasurer,
    Kevin D. Jeter, Acting General Counsel

Audit Team:
Arnold Blanshard, CPA/CRMA/MBA, Director of Internal Audit
Keyna Crenshaw, MBA, Senior Auditor
Chris Musella, Auditor

E-06-1516 Page 11 of 11
Audit: Los Angeles Harbor College – Associated Student Organization (ASO) Audit

From: Arnold Blanshard, CPA/MBA, CRMA Director, Internal Audit

Audit Report Date: November 30, 2015

Audit Period: July 1, 2013 through June 30, 2015.

Overall Audit Rating

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Overall risk program is not acceptable. Multiple “high” or “considerable” rated findings were identified. Control deficiencies place the District/college at an imminent risk of material financial loss, significant regulatory criticism, fines, sanctions or significant reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or are not sufficiently documented, communicated and/or followed. Immediate Executive management attention is required to implement corrective action, including formalizing and communicating risk management procedures.

BACKGROUND

The Los Angeles Harbor College Associated Student Organization (ASO) is the representative body of students to offer opinions and to make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASO was established to promote the general welfare and moral of the students. The ASO is authorized by college administration and officers are elected by students that are enrolled at Los Angeles Harbor College (LAHC). Currently the elected body consists of four elected students officials.

The ASO supports the growth of LAHC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASO representative is elected by students of all nine colleges within the LACCD as a student Trustee on the Los Angeles Community College District (LACCD)
Board of Trustee as a means to voice concerns and participate in matters that directly impact LACCD students.

Members of the ASO enjoy the benefits of:
- Eligibility to hold a Student Government Office
- Eligibility for Scholarships
- Eligibility to Join a Club and/or Charter your own Club
- Discounts on Movie Tickets to AMC Theaters
- Free access and entrance to ASO computers and all LAHC athletic home games respectively
- Free miscellaneous items like 5 scantrons, 5 copies & Faxes, 15% discount @ Harbor Park Golf Course.

The ASO Student Council meets every week on a Tuesday in which the students plan ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the Associated Student Organization is responsible for raising and expending ASO funds under the trusteeship of the college Associate Vice President of Administration which serves as the college President’s designee. All ASO transactions are subject to review by the Chancellor and/or Board of Trustees, and must be in conformity with LACCD board and administrative policies governing the ASO program.

The ASO is governed by:
- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASO Constitution and Bylaws
- Robert's Rules of Order

In accordance with LACCD, LAHC, and ASO policies, all campus clubs must be formally chartered by the ASO. The ASO Executive or Administrative Vice President and the ASO Advisor are required to supervise the club chartering process. Applications are made available at the beginning of each semester in the ASO Office, located in the Seahawks center at the ASO building.

The funds for the ASO are generated through student membership dues, student representative fees, and fund raising events that are attributed to the ASO and the various college clubs. The LAHC Business Office is responsible for collecting all funds associated with the ASO, ensuring that deposits are made to the ASO bank accounts, and maintaining all accounting for the ASO. The ASO revenue inclusive of ASO clubs as reported for the FY 2013-14 and FY 2014-15 was $39,809.00 and $35,400.00 respectively as per the Business office accounting records.
PURPOSE/OBJECTIVE

The objectives of this audit are:

- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures.
- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management’s authorization and recorded properly.
- Internal controls within the daily operational activities of the ASO are adequate to mitigate potential risks.
- The funds are used to meet the ASO goals and objective.
- The current policies and procedures are adequate in running an effective and efficient association.

SCOPE

The scope of the audit will include the review of processes and procedures that include all ASO activities for the period **July 1, 2013 through June 30, 2015**. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the Los Angeles Harbor College ASO processes relating to the college activities and ascertained the controls currently in place are operating effectively and efficiently.

*This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing.*

Major Issues Identified:

A. **Walkthrough ASO:**

1. Non-compliance with LACCD Policies and Procedures: The ASO and the Business Office does not have a process in place for maintaining, updating, and validating signatory cards associated with fund accounts attributed to the ASO. This equates to a 100% error rate. (*Impact: High*)

2. Non-compliance to LACCD policies and procedures: ASO is not submitting cash collections to the Business Office within one business day. The delay ranges from one to five days. This equates to a 100% error rate (*Impact: High*)

3. Non-compliance to LACCD policies and procedures: There are internal weaknesses with the process of collecting and counting cash for movie tickets and rental of equipment. This equates to a 100% error rate (*Impact: High*)

4. Non-compliance to LACCD policies and procedures and best practices: There are internal weaknesses within the ASO scholarship selection process as the ASO Advisor makes the selection alone with no specific guidelines, and policies and procedures error rate. This equates to a 100% error rate (*Impact: High*)
5. **Non-compliance to LACCD:** ASO annual budget presented to the ASO executive for approval lack all the necessary attributes of a budget as the budget does not include projected revenues. This equates to a 100% error rate *(Impact: High)*

**B. Payments and Transactions:**

1. **Non-compliance to LACCD policies and procedures:** The necessary supporting documentation such as:
   a. List of students traveling
   b. Board minutes
   c. Finance committee minutes, receipts/invoices,
   d. Event flyers, and
   e. Student travel forms

   We’re not provided to ascertain the validity of payment made for expenditures. This equates to a 14.70% error rate and this equates to a 13.37% with a dollar error amount of $46,497.30. *(Impact: Considerable)*

2. **Non Compliance with LACCD Policies and Procedures:** Expenditures procured were not properly authorized and/or approved by the required employees. This equates to a 13.37% error rate, with a dollar error rate $38,461.2. *(Impact: Moderate)*

**Non-related ASO Finding**

**A. Walkthrough:**

1. **Non-compliance to LACCD policies and procedures and Industry Best Practices:** Uniform access (same username and password) is used by the three Employees that use quick books to perform ASO accounting transactions. This equates to a 100% error rate. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures:** The ASO student representation fee was not used exclusively on student travel expenses as the College assessed a 7% administrative service fees without any notification to the ASO. Dollar amount noted for fiscal year 2013/14 and 2014/15 were $1072.88 and $1021.16 respectively. *(Impact: High)*

3. **Non Compliance with LACCD Policies and Procedures:** LAHC Business office does not have a process to stale date outstanding checks that are past six months as 12 checks denoted as outstanding checks in the bank reconciliation for June 2015 were issued as far back as Fiscal year 11/12. The total dollar amount equated to $579.08. This equates to a 100% error rate. *(Impact: High)*
4. **Non-compliance with LACCD Policies and Procedures and Regulatory Guidelines:** Unrelated ASO Funds are deposited into the ASO bank Accounts and accounting records. This equates to a 100% error rate. *(Impact: Considerable)*

5. **Non-compliance to LACCD policies and procedures:** The version of Quick books used for ASO has limited capabilities therefore cannot provide the necessary reports and projections warranted in planning, decision making, auditing and budgetary controls. *(Impact: Moderate)*

**Action Plans and Completion Dates:**

**A. Walkthrough Findings:**

1. Signature card renewal will be included in the package for Student Club application each semester. *(Implementation date: February 18, 2016)*

2. Mid-Semester self-audits of all club signatory will be conducted to validate that the signors are kept current. *(Implementation date: April 15, 2015)*

3. The Business office will be provided with a signature card for the A.S.O. Executive Cabinet. *(Implementation date: December 31, 2015)*

4. The College will implement training for employees. *(Implementation date: January 4, 2016)*

5. A new policy and procedure will be created and implemented to ensure that all collections for any ASO related activities/events must be submitted to the Business Office in a timely manner. Any cash collected above $50.00 will be remitted to the Business Office for deposit no later than the close of the next business day. All cash collected not exceeding the total amount of $50.00 will be remitted to the Business Office for deposit on Thursday morning. The College will implement training for employees. *(Implementation date: December 04, 2015)*

6. The Student Service Assistant will maintain a log sheet for all tickets, rental of pool tables, ping pong paddles, and the play for Air Hockey. Student renting the equipment should sign the log sheet with their printed name and the amount they paid. The log sheet will be submitted to the ASO advisor for verification and approval at the end of each day. At the end of each month, the ASO advisor will submit the report to the Dean of Student Services or the VP of Student Services for signature and approval. The said monthly report will then be submitted to the Business Office for audit and verification and filing. All money received by ASO will be counted by at least 2 employees and will be remitted to the Business Office. Cash totaling $50 and above will be turned in and deposited by the next business day. *(Implementation date: January 04, 2016)*

7. The College will implement training for employees. *(Implementation date: Spring, 2016)*
8. Movie tickets have not been sold during the Fall 2015 semester. The selling of movie tickets will resume on 2/8/16. The changes to money handling have already been implemented. (Implementation date: February 08, 2016).

9. The College will adhere to LACCD administrative regulations, policies, and procedures for verifying that properly approved supporting documents for scholarship disbursement is provided prior to release of funds. The Advisor of ASO will create a scholarship committee which will consists of faculty and staff. The committee will create a process and criteria for the selection of scholarship candidates and recipients. The College will implement training for employees. (Implementation date: Spring, 2016)

10. The ASO and College Business Office will implement a budget calendar that will provide a timeline for the preparation and approval of the ASO budget on an annual basis. The ASO budget should include all projected expenses and income from all sources. The College will implement training for employees. (Implementation date: March 01, 2016)

11. The College will implement training for employees. (Implementation date: Spring, 2016).

B. Payment and Transactions

1. The Business Office will strictly enforce LACCD administrative regulations and policies and procedures pertaining to disbursement of ASO funds. The business office will be provided with the proper supporting documents required for disbursements such as board minutes, finance committee minutes, receipts/invoices, event flyers, and students travel forms. The College will implement training for employees. (Implementation date: Spring, 2016)

2. LAHC will strictly enforce the LACCD administrative regulations. All request for expenditures must be approved prior to being procured. The Business Office will not process and print the check if all required documents and signatures are not completed. (Implementation date: Spring, 2016)

3. Purchases/check request forms that are over $1,000 will be presented to the Finance Committee for prior approval on a monthly basis. In the event that a requested time needs approval prior to the next Finance Committee meeting, the College and ASO should develop a process to accelerate the prior approval process. (Implementation date: Spring, 2016)

4. All purchase requests must be accompanied by a purchase order, original invoice and all other relevant documents as needed prior to the processing of payment. (Implementation date: Spring, 2016)

5. The College will implement training for employees. (Implementation date: Spring, 2016)
Non-related ASO Action Plan:

A. Walkthrough Findings:

1. The Business Office will purchase the new edition of Quickbooks with multiple access to be assigned to staff who will be responsible to enter all ASO financial transactions. The College will implement training for employees. (Implementation date: December 15, 2015)

2. ASO funds in a total of $2,094.04 collected from ASO representation fee will be returned back to the ASO account. (Implementation date: December, 2015)

3. LAHC – Business Office will develop a process to denote all checks that are six months or older to be stale dated and reverse all journal entries back to liability and checks will be reissued upon receipt of approved and signed request form. The College will implement training for employees. (Implementation date: December 15, 2015)

4. All non-ASO accounts (Athletics) will be transferred out of the ASO accounts. (Implementation date: January 02, 2016)

5. The Business Office will purchase the new edition of Quickbooks with multiple accesses to be assigned to staff that will be responsible to enter all ASO financial transactions. (Implementation date: December 15, 2015)

6. The College will implement training for employees. (Implementation date: Spring, 2016)
Signatures:

Otto Lee, President  
Date: 12/15/15

Robert Suppelsa, Vice President of Administrative Services  
Date: 12/15/15

Cc:
Francisco C. Rodriguez, Chancellor  
Finance and Audit Committee, LACCD Board of Trustees  
Adriana Barrera, Deputy Chancellor  
Kevin Jeter, General Counsel (Acting)  
Jeanette Gordon, Chief Financial Officer/ Treasurer

Audit Team:  
Arnold Blanshard, CPA/MBA/CRMA Director, Internal Audit  
LaSchanda Johnson, MBA, Auditor
Los Angeles Mission College – ASO Audit
Arnold Blanshard, CPA/CRMA/MBA, Director, Internal Audit
September 30, 2015
July 1, 2013 through December 31, 2014

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Overall risk program is not acceptable. Multiple “high” or “considerable” rated findings were identified. Control deficiencies place the District/college at an imminent risk of material financial loss, significant regulatory criticism, fines, sanctions or significant reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or are not sufficiently documented, communicated and/or followed.

**BACKGROUND**

The Los Angeles Mission College Associated Student Organization (ASO) is the representative body of students that offer opinions and make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASO was established to promote the general welfare and moral of the students. The ASO is authorized by college administration and officers are elected by students that are enrolled at Los Angeles Mission College (LAMC). Currently the elected body consists of four elected students officials.

The ASO supports the growth of LAMC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASO representative is represented on the LACCD Board of Trustee as a means to voice concerns and participate in matters that directly impact students. Members of the ASO enjoy the benefits of receiving discounted/preferred parking, loans, and leadership experience. The ASO Student Council meets on Thursdays in which the students plan on
ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the Associated Student Organization is responsible for raising and expending ASO funds under the trusteeship of the college Chief Business Officer which serves as the college President’s designee. All ASO transactions are subject to review by the Chancellor and/or Board of Trustees, and in conformity with Los Angeles Community College District (LACCD) board and administrative policies governing the ASO program. The ASO is governed by:

- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASO Constitution and Bylaws
- Robert’s Rules of Order

The funds for the ASO are generated through student membership dues, student representative fees, and fund raising events that are attributed to various college clubs. The LAMC Business Office is responsible for collecting all funds associated with the ASO, ensuring that deposits are made to the ASO bank accounts, and maintaining all accounting for the ASO. The ASO revenue per the annual audited income statements for the FY2012-2013 and FY 2013-14 was $247,856 and $240,329 respectively.

The objectives of this audit are to provide management with reasonable, but not absolute, assurance that:
- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures,
- Assets are adequately safeguarded against loss from unauthorized use or disposition,
- Transactions are executed in accordance with management’s authorization and recorded properly,
- Internal controls within the daily operational activities of the ASO are adequate to mitigate potential risks,
- The funds are used to meet the ASO goals and objective, and
Los Angeles Community Colleges District

- The current policies and procedures are adequate in running an effective and efficient association.

**SCOPE**

The scope of this audit included a review of processes and procedures of the college cash controls for the period July 1, 2013 through December 31, 2014. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of LAMC Business Office and Associated Student Body Organization's processes relating to the ASO activities and ascertained the controls currently in place are operating effectively and efficiently.

*This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing.*

**Major Issues Identified:**

**A. Payments**

1. **Non-compliance to LACCD policies and procedures:** The ASO Finance Committee is not performing approval of the budget items over mandatory threshold. This equates to an error rate of 66% and a dollar error amount of $6,003.00. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures:** The necessary supporting documentation was not provided to ascertain the validity of payment made for ASO expenditures. This equates to an error rate of 13% and a dollar error amount of $4,936.54. *(Impact: Moderate)*

**B. Walkthrough Findings**

3. **Non-compliance with LACCD policy and procedure:** Commission payments generated through the sales of food item and video machine from third party vendors were not reported in the college general account rather were reported directly as revenue to the ASO. The cash collected were deposited into the ASO bank account. This equates to an error rate of 100% and a cumulative dollar error amount of $19,800.25. *(Impact: High)*

4. **Non-compliance with LACCD policy and procedure:** The College is operating without contract for catering and video machine services. This equates to a 100% error rate and a dollar error amount of $19,800.25. *(Impact: High)*

5. **Non-compliance with LACCD policy and procedure:** The ASO student representation fee was not used exclusively on student travel expenses. *(Impact: High)*
6. **Non-compliance to Los Angeles Mission College policies and procedures:** The same employee approved the transaction and signed the actual check. *(Impact: Moderate)*

7. **Non-compliance to LACCD policies and procedures:** Assets purchased with ASO funds were not tagged. This equates to an error rate of 100% and a cumulative dollar error of $2,707.24. *(Impact: Moderate)*

C. Banking

8. **Non-compliance with LACCD Policies and Procedures:** ASO offline receipt transactions were not posted timely to the bank. This equates to an error rate of 88% and Deposits error ranged between 2 to 14 days late. *(Impact: High)*

9. **Non-compliance to LACCD policies and procedures:** The Business Office does not record all cancelled and/or voided checks in the Quick books system. This equates to an error rate of 40%. *(Impact: Moderate)*

Management Action Plans and Completion Dates:

A. Payments

1. The college will review of LACCD policies and an orientation/workshop to ALL clubs on ASO/Club fund expenditures. Attendance verified by sign-in sheet. *(March 2016)*

2. ASO & L AMC Business Office will establish written policies and procedures that require all supporting documents be accompanied by a purchase request, original invoice or receipt, including ASO Scholarships. Mileage for gas shall be reimbursed at the State/government regulated rate per mile. ASO & Business Office shall establish a written policy/guideline for ASO funds in accordance to LACCD Administrative Regulations S-4. *(March 2016)*

B. Walkthrough Findings

3. The CFO will participate in monthly ASO meetings and monitor actives; The VP’s and CFO will take the lead in training staff. The College will implement recommendations one through six which state the following: The College should adhere to the revenue recognition principle for posting transactions in QuickBooks. A daily journal of revenue should be created and maintained in Quick books. LAMC should develop policies and procedures that will mandate the time frame for which revenue receipt must be posted. The College should develop policies and procedures for posting ASO transactions in Quick books. The College implements training for employees and management on policy and procedure for Accounting for ASO receipts. The BO should conduct self-audits to ensure that the policies and procedures that are implemented are followed by employees. Receipt of acknowledgement should be provided and documented to ensure that all employees have read and understand the policy and procedures for updating and maintaining signature cards. *(June 2016)*
4. The College will implement audit recommendations one through six which state the following: The College and involved management mandate that the required contracts are in place before further operation is extended. A firm date should be established as the deadline to receive the signed contract between LACCD and the correct parties. The College implements training to the ASO employees and involved management on the Board Rules on auxiliary organizations and contracting. A self-audit should be conducted to ensure compliance with policies and procedures. Receipt of acknowledgement should be provided and documented to ensure that all employees have read and understood policies and procedures. An employee accountability clause should be incorporated into the policies and procedures. (June 30, 2016)

5. The College will perform the following recommendations which state the following: The college and related staff members should seek further guidance in writing from district office pertaining to the use of the student representation fee as it relates to the interpretation of the business office administrative fee; Additionally, funds that were previously paid to the business office from the ASO funds should be returned to the ASO; Calculation of repayment amount should be reviewed by both ASO and Business office representatives. Resources necessary for the operation of the ASO should be obtained from other source accounts other than the student representation fee. A prior approval and formalized requests along with proper recordkeeping in the ASO Finance Committee minutes should be obtained. (June 30, 2016)

6. The CFO will work with develop the policies, develop and conduct a training for Business Office staff, and ASO staff and implement audit recommendations one through six which state the following: The Business Office utilizes staff to achieve the results satisfactory handle cash management operations. In the event that additional staff is utilized, the Business Office should revamp the cash management operation to implement a process whereby there is a satisfactory level of separation of duties. (Example within the two person office, the following is recommended: Employee A approves the check request and Employee B performs the check signing duties accounting entries. A third person such as a Vice President of Administrative Affairs performs the check signing duties). Create well-defined policies and procedures regarding the cash operation. Train employees on policies and procedures for financial reporting, accounting, and sound business practices. A self-audit should be conducted to ensure compliance with policies and procedures. Receipt of acknowledgement should be provided and documented to ensure that all employees have read and understood policies and procedures. (June 30, 2016)

7. The College will implement audit recommendations one through seven which state the following: The College and involved management mandate that the required procurement process includes tracking of all ASO assets. This can be done by updating the current form to include a section to address purchase of asset. The College and involved management should return the item(s) to the Receiving Department for appropriate receipt in the system and, if necessary, inventory tagging. Implement internal policies and procedures that will mandate that the ASO maintain an asset listing on an annual basis and implement an annual asset observation to ensure that all assets are physically located and properly tagged. This list should be certified by two employees that conducted the asset/inventory observation. In
the event that an asset is not located, the appropriate steps are performed to report and record the equipment as a missing item. The College and involved management implements training to the ASO employees and involved management on the Board Rules on procurement practices. An employee accountability clause should be incorporated into the policies and procedures. A self-audit should be conducted to ensure compliance with policies and procedures. (June 30, 2016)

C. Banking

8. Systems will be in place and the appropriate people will receive training. Advisors will undertake audit recommendation tasks one through six to insure compliance which state the following: The College and the ASO should implement written policies and procedures that require a review and approval process of monthly book to bank reconciliation. Implement a process whereby there is a second person that checks the accuracy of the information that is entered into Quickbooks. Comparable reports should be utilized to validate that all information is posted. (Example: List of all approve expenses compared to the expenses entered in Quickbooks). The College implements process that requires management to review the income and expenses statements on a monthly basis to provide additional financial oversight over the Quick Book reporting. The College provides training to all employees responsible for complying with policies and procedures. A self-audit should be conducted to ensure compliance with policies and procedures. Receipt of acknowledgement should be provided and documented to ensure that all employees have read and understood policies and procedures. (June 30, 2016)

9. The development of practices in alignment with audit recommendations one through six and training ASO and Business Office staff to adhere to place systems in place to address the condition. (June 30, 2016)
Executive Summary

Audit: Los Angeles Pierce College ASO Audit
From: Arnold Blanshard, CPA/MBA/CRMA, Director of Internal Audit
Audit Report Date: December 31, 2015

<table>
<thead>
<tr>
<th>Overall Audit Rating</th>
<th>Number of Issues by Impact</th>
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Overall risk program is not acceptable. Multiple “high” or “considerable” rated findings were identified. Control deficiencies place the District/college at an imminent risk of material financial loss, significant regulatory criticism, fines, sanctions or significant reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or are not sufficiently documented, communicated and/or followed. Immediate Executive management attention is required to implement corrective action, including formalizing and communicating risk management procedures.

BACKGROUND

The Los Angeles Pierce College Associated Student Organization (ASO) is the representative body of students that offer opinions and make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASO was established to promote the general welfare and moral of the students. The ASO is authorized by college administration and officers are elected by students that are enrolled at Los Angeles Pierce College (LAPC). The ASO consists of two branches: Student Senate and Club Council. These branches work together to create a student-oriented environment at Pierce College. **Student Senate**: two student representatives from each of the 26 academic departments and **Club Council**: one representative from each recognized club or organization, overseen by the Club Council President. Currently the elected body consists of four elected students officials.

The ASO supports the growth of LAPC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASO representative is represented on the LACCD Board of Trustee as a means to voice concerns and participate in matters that directly impact students.
Members of the ASO enjoy the benefits of receiving discounted/preferred parking, loans, and leadership experience.

The ASO Finance Committee meets on Tuesdays and Student Senate meetings are held on Wednesdays in which the students plan on ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the Associated Student Organization is responsible for raising and expending ASO funds under the trusteeship of the college Associate Vice President of Administrative Services which serves as the college President’s designee. All ASO transactions are subject to review by the Chancellor and/or Board of Trustees, and in conformity with Los Angeles Community College District (LACCD) board and administrative policies governing the ASO program. The ASO is governed by:

- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASO Constitution and Bylaws
- Robert’s Rules of Order

The funds for the ASO are generated through student membership dues, student representative fees, and fund raising events that are attributed to various college clubs. The LAPC Business Office is responsible for collecting all funds associated with the ASO, ensuring that deposits are made to the ASO bank accounts, and maintaining all accounting for the ASO. The ASO revenue per the annual audited income statements for the FY2013-2014 and FY 2014-15 was $130,092 and $46,947.00 respectively.

PURPOSE/OBJECTIVE

The objectives of this audit are to provide management with reasonable, but not absolute, assurance that:

- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures.
- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management’s authorization and recorded properly.
Internal controls within the daily operational activities of the ASO are adequate to mitigate potential risks.

• The funds are used to meet the ASO goals and objective.
• The current policies and procedures are adequate in running an effective and efficient association.

SCOPE
The scope of this audit included a review of processes and procedures of the Associated Student Body (ASO) business office records for the period July 1, 2013 through June 30, 2015. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the college business office and performed an examination of the records associated with the operation of the ASO.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing.

Major Issues Identified:

A. Payments

1. **Non-compliance with LACCD policies and procedures**: The necessary supporting documentation was not provided to ascertain the validity of payment made for ASO expenditures. The error rate ranges from 17% to 20% and the cumulative dollar value associated with this error totals $62,725.74. *(Impact: High)*

2. **Non-compliance with LACCD policies and procedures**: The timeliness of the approval for expenditures procured cannot be validated as the approver did not date the documents. The error rate is 4.8% and the dollar value associated with this error total $5,394.00. *(Impact: Moderate)*

B. Walkthrough Findings

1. **Non-compliance with LACCD policies and procedures**: Some of the signers to the LAPC ASO bank accounts were not current members of the organization. *(Impact: High)*

2. **Non-compliance with LACCD policies and procedures**: ASO funds are commingled with college funds that are non-related to ASO activities. A total of 14 accounts that totaled $56,124.04. *(Impact: High)*
3. **Non-compliance with LACCD policies and procedures:** There is not a process in place to close out dormant accounts with no activity over two years that are associated with the ASO. There were 72 accounts ranging from $1.51 to $9,085.62 found with no activity over two years. *(Impact: High)*

4. **Non-compliance with LACCD policies and procedures:** Assets purchased with ASO funds could not be located. The value associated with this error totaled $18,000.00. *(Impact: Moderate)*

C. NON ASO

1. **Non-compliance with LACCD policies and procedures:** Vendors conducting business with the College/ASO operated with expired contract and/or no contract. *(Impact: High)*

2. **Non-compliance to General Accounting policies and procedures:** The Business Office overstated the Long Term Assets and Equity accounts related to undepreciated assets and stale dated checks on the ASO Balance Sheet for the fiscal years ending 2014 and 2015. Fully depreciated assets were listed with their original cost and stale dated checks were accounted for as surplus funds. *(Impact: High)*

3. **Non-compliance with LACCD policies and procedures:** The Business Office does not deposit cash and check collections to the bank timely. The delay ranges from two to five business days and an error amount of $78,773.35. *(Impact: High)*

4. **Non-compliance with LACCD policies and procedures:** QuickBooks passwords were not unique to each individual user as the username and password to gain access is shared with the several employees. *(Impact: High)*

5. **Non-compliance with LACCD policies and procedures:** The Business Office does not record all cancelled and/or voided checks in the Quick books system. This equates to a 16% error rate. *(Impact: Moderate)*

**Management Responses:**

**A. Payments**

- Provide training to ASO/Clubs and ensure supporting documentation accompanies all requisitions. *(3/31/16)*

- Ensure that all signatures are dated prior to processing *(3/31/16)*
B. Walkthrough Findings

- Signature cards will be updated for all accounts (2/28/16)
- Move funds to Custodial Trust (12/31/15)
- Process will be established to close inactive accounts annually. (3/31/16)
- Perform annual inventory on all ASO equipment and review equipment annually to write off assets based upon GAAP. The balance sheet will be reviewed against ASO Inventory report. (05/31/16)

C. NON ASO

- Update and sign income contracts between all parties (3/31/16)
- Review equipment annually and write off assets based upon GAAP. Review balance sheet against ASO inventory report. (5/31/16)
- Times will be changed for armored car pickup or an additional pickup will be scheduled. (2/28/16)
- Request IT to create unique user ID and password for Quick books users (12/31/15)
- Provide additional training in use of QuickBooks accounting software (4/30/16)
Signatures:

Kathleen Burke, President

Rolf Schleicher, Vice President, Administrative Services

Date: 01/07/2016

Date: 1/7/16

cc: Francisco C. Rodriguez, Chancellor
Adriana D. Barrera, Deputy Chancellor
Jeanette Gordon, Chief Financial Officer/ Treasurer,
Kevin D. Jeter, Acting General Counsel
Rolf Schleicher, Vice President of Administrative Services
Eric Peters, Vice President of Student Services

Audit Team:
Arnold Blanshard, CPA/MBA, Director of Internal Audit
Keyna Crenshaw, MBA, Senior Auditor
Tiffany A Britt, CFE, Auditor
Audit: Los Angeles Valley College – Associated Student Union (ASU) Audit

From: Arnold Blanshard, CPA/CRMA/MBA, Director, Internal Audit

Audit Report Date: October 31, 2015

Audit Period: July 1, 2013 through December 31, 2014

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Needs Improvement

Overall risk program needs improvement. A “high” rated or multiple “considerable” rated findings were identified. Weaknesses in internal control indicate a high probability that the District/college will incur material financial loss, significant regulatory criticism, fines, sanctions or reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or sufficiently documented, communicated and/or followed. Executive management attention is necessary to address the control weaknesses noted.

BACKGROUND

The Los Angeles Valley College Associated Student Union (ASU) is the representative body of students to offer opinions and to make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASU was established to promote the general welfare and moral of the students. The ASU is authorized by college administration and officers are elected by students that are enrolled at Los Angeles Valley College (LAVC). Currently the elected body consists of six elected students officials.

The ASU supports the growth of LAVC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASU representative is represented on the LACCD Board of Trustee as a means to voice concerns and participate in matters that directly impact students. Members of the ASU enjoy the benefits of receiving discounted/preferred parking, loans, and leadership experience.

The ASU Student Council meets on Wednesdays in which the students develop plans to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the
governing body of the Associated Student Organization is responsible for raising and expending ASU funds under the trusteeship of the college Chief Financial Administrator which serves as the college President’s designee. All ASU transactions are subject to review by the Chancellor and/or Board of Trustees, and in conformity with Los Angeles Community College District (LACCD) board and administrative policies governing the ASU program. The ASU is governed by:

- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASU Constitution and Bylaws
- Robert’s Rules of Order

The funds for the ASU are generated through student membership dues, student representative fees, and fund raising events that are attributed to various college clubs. The LAVC Business Office is responsible for collecting all funds associated with the ASU, ensuring that deposits are made to the ASU bank accounts, and maintaining all accounting for the ASU. The ASU revenue as reported for the FY 2013-14 and FY 2014-15 was $115,208 (from audited statements) and $68,818 (from the Business Office) respectively.

PURPOSE/OBJECTIVE

The objectives of this audit are:

- Ascertain the existence and effectiveness of current policies and procedures;
- Evaluate the adequacy and test internal controls at the business office pertaining to transactions of the ASU.
- Evaluate the adequacy and test internal controls over accounts receivable receipt processing;
- Review and evaluate internal controls over other receipts;
- Evaluate internal controls over the reporting of cash;
- Determine compliance with federal and state laws and regulations; and
- Determine whether current practices are in accordance with policies, procedures, laws and regulations.

SCOPE

The scope of this audit included a review of processes and procedures of the college associated student body cash controls for the period **July 1, 2013 to December 31, 2014**. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the Los
Angeles Valley College ASU processes relating to the college activities and ascertained the controls currently in place are operating effectively and efficiently.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing.

MAJOR ISSUES IDENTIFIED:

A. Payments and Transactions

1. **Non-compliance with LACCD Policies and Procedures:** Expenditures procured were not properly authorized and/or approved by the ASU Finance Committee. This equates to a dollar error rate of 100% for the total dollar amount of $24,299.87 value associated with this attribute. *(Impact: High)*

2. **Non-compliance to LACCD Policies and Procedures:** The necessary supporting documentation was not provided to ascertain the validity of payment made for expenditures. This equates to a dollar error rate of 70% for the total dollar amount of $38,349. *(Impact: Considerable)*

3. **Non-compliance with Industry Best Practice:** The LAVC ASU does not require individuals organizing ASU sponsored and funded field trips or excursions off-campus to complete and submit lists of participants for those events, prior to expenses for those trips being paid. This equates to a dollar error rate of 70% for the total dollar amount of $38,349. *(Impact: Moderate)*

B. Walkthrough

1. **Non-compliance with LACCD Policies and Procedures:** LAVC does not properly secure blank check stock used for the ASU operating account. *(Impact: Considerable)*

C. Prior Audit Finding

1. **Non-compliance to LACCD Policies and Procedures:** The ASU prior audit findings identified in the LAVC Cash Control audit (relating to timely deposits) have not been corrected as the corrective action plans were not fully implemented. The error percentage ranges from 82% to 89% and the dollar error ranges from $4,920 through $38,516.55. *(Impact: Moderate)*

D. Revenue

1. **Non-compliance to LACCD policies and procedures and Industry Best Practices:** The LAVC Business Office does not perform reconciliations of the ASU accounts in a timely manner. This equates to a 50% error rate. *(Impact: Moderate)*

E. Scholarships

1. **Non-compliance to LACCD Policies and Procedures:** There are no written procedures to ascertain the selection process for ASU scholarship recipients. *(Impact: Moderate)*
MANAGEMENT ACTION PLANS AND COMPLETION DATES:

A. Payments and Transactions

1. Consistently submit copies of the Finance Committee meeting minutes to the Business Office and the ASU secretary will email meeting minutes to the Business Office on a weekly basis as of October 12, 2015. (Implementation Date: October 12, 2015).

2. Policies and procedures are in place. This information is posted online and is part of the Field Trip Excursion form packet. The ASU will ensure payments will not be made until all forms and/or required documentation are submitted. Club advisor trainings are conducted each semester. This information will be disseminated during the trainings. An email will be sent to all club advisors detailing field trip requirements. (Implementation Date: October 12, 2015).

3. The ASU will make Field Trip Excursion Forms a requirement for payment. This policy will be clear in all Field Trip Instructions and Budget Requests. A check-off will be created to ensure all documentation is submitted before a payment is made. This information will also be stressed at club advisor training sessions and club training. (Implementation Date: October 12, 2015).

B. Walkthrough


C. Prior Audit Finding


D. Revenue

6. Business Office is working on to the implementation of the IAD recommendation. (Implementation date: December 1, 2015).

E. Scholarships

7. The ASU will not handle scholarship awards. All scholarships will be awarded by the Foundation Office. The Foundation Office will ensure students receiving an ASU funded scholarship be paid ASO members. The Foundation Office will be required to submit student names to the ASU and to provide details of student selection process. (Implementation date: October 16, 2015).
Signatures:

Erika Endrijonas, President
Date: 11/17/15

Mike Lee, Vice President of Administrative Services
Date: 11/16/15

Cc Budget and Finance Committee; LACCD Board of Trustees
Francisco Rodriguez, Chancellor
Adriana Barrera, Deputy Chancellor
Kevin Jeter, Acting General Counsel
Jeanette Gordon, Chief Financial Officer/ Treasurer

Audit Team:
Arnold Blanshard, CPA/CRMA/MBA, Director of Internal Audit
Keyna Crenshaw, Senior Auditor
Chris Musella, Auditor
Audit: West Los Angeles College – Associated Student Organization (ASO) Audit

From: Arnold Blanshard, CPA/MBA, Director, Internal Audit

Audit Report Date: October 31, 2015

Audit Period: July 1, 2013 through December 31, 2014.

Overall Audit Rating

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Overall risk program needs improvement. A “high” rated or multiple “considerable” rated findings were identified. Weaknesses in internal control indicate a high probability that the District/college will incur material financial loss, significant regulatory criticism, fines, sanctions or reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or sufficiently documented, communicated and/or followed. Executive management attention is necessary to address the control weaknesses noted.

BACKGROUND

The West Los Angeles College Associated Student Organization (ASO) is the representative body of students to offer opinions and to make recommendations to the College President on college policies and procedures that have or will have a significant effect on students. The ASO was established to promote the general welfare and moral of the students. The ASO is authorized by college administration and officers are elected by students that are enrolled at West Los Angeles College (WLAC). Currently the elected body consists of four elected students officials.

The ASO supports the growth of WLAC and the overall goal is to create a better environment for academic experiences for students through student leadership. As part of the governing leadership and goal of promoting student welfare, an ASO representative is elected by students of all nine colleges within the LACCD as a student Trustee on the Los Angeles Community College District
Los Angeles Community Colleges District

(LACCD) Board of Trustee as a means to voice concerns and participate in matters that directly impact LACCD students.

Members of the ASO enjoy the benefits of:
- Eligibility to hold a Student Government Office
- Eligibility for Scholarships
- Eligibility to Join a Club and/or Charter your own Club
- Discounts on Movie Tickets @Pacific, Regal, AMC, Laemmle & RAVE: $9.00 Cash Only
- Unlimited Print and copy for .10 per page and discounts on Faxing services
- Free access and entrance to ASO computers and all WLAC athletic games respectively
- Free miscellaneous items like scantrons, bluebooks, green books, pencil, pen and highlighters.

The ASO Student Council meets every two weeks on a Thursday in which the students plan ways to support their overall goals and campus life experiences. The elected governing body is responsible for keeping account of its meetings, expenditures, authorizations and policies established. Additionally, the governing body of the Associated Student Organization is responsible for raising and expending ASO funds under the trusteeship of the college Chief Business Officer which serves as the college President’s designee. All ASO transactions are subject to review by the Chancellor and/or Board of Trustees, and must be in conformity with LACCD board and administrative policies governing the ASO program.

The ASO is governed by:
- The Education Code, Sections 76060-76067
- The Ralph M. Brown Act
- Rules of the Los Angeles Community College Board of Trustees
- LACCD Administrative Regulations
- College Rules and Regulations
- ASO Constitution and Bylaws
- Robert’s Rules of Order

In accordance with LACCD, WLAC, and ASO policies, all campus clubs must be formally chartered by the ASO. The ASO Executive or Administrative Vice President and the ASO Advisor are required to supervise the club chartering process. Applications are made available at the beginning of each semester in the ASO Office, SSB 330.

The funds for the ASO are generated through student membership dues, student representative fees, preferred parking fees, and fund raising events that are attributed to various college clubs. The WLAC Business Office is responsible for collecting all funds associated with the ASO, ensuring that deposits are made to the ASO bank accounts, and maintaining all accounting for the ASO. The ASO revenue inclusive of ASO clubs as reported for the FY 2013-14 and FY 2014-15 was $52,170.52 and $85,143.40 respectively as per the Business Office accounting records.
PURPOSE/OBJECTIVE

The objectives of this audit are:

- The operations are conducted in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures.
- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management’s authorization and recorded properly.
- Internal controls within the daily operational activities of the ASO are adequate to mitigate potential risks.
- The funds are used to meet the ASO goals and objective.
- The current policies and procedures are adequate in running an effective and efficient association

SCOPE

The scope of the audit will include the review of processes and procedures that include all ASO activities for the period July 1, 2013 through December 31, 2014. The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the West Los Angeles College ASO processes relating to the college activities and ascertained the controls currently in place are operating effectively and efficiently.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards, General Accepted Auditing Standards, and the Standards for the Professional Practice of Internal Auditing.

Major Issues Identified:

A. Payments and Transactions:

1. **Non-compliance to LACCD policies and procedures**: The required procedures were not adhered to in regards to student travel as students were granted Per diem for meals when the conference provided meal and the per diem allowance given to the students ($20.40) was less than the $30.00 allowance for student travel. This equates to a 100% error rate. *(Impact: High)*

2. **Non-compliance to LACCD policies and procedures**: The necessary supporting documentation was not provided to ascertain the validity of payment made for expenditures. This equates to a 100% error rate and a dollar error amount $20,221.40. *(Impact: Moderate)*

3. **Non-compliance to LACCD policies and procedures**: LACCD Cal Card was used for procuring ASO expenses/purchases. This equates to a 3.7% error rate and a dollar error amount $3,415.31 *(Impact: Moderate)*
B. Walkthrough:

1. **Non-compliance to LACCD policies and procedures:** The assets of the Associated Student Service were not properly safeguarded as the environment and procedure for collection of cash in ASO office lacks the necessary controls warranted to negate and/or mitigate potential misappropriation of ASO funds. *(Impact: Considerable)*

2. **Non-compliance with LACCD policies and procedures:** Lack of segregation of duties was noted within the cash control area associated with collecting and counting cash for ASO photo copies and movie tickets. *(Impact: Moderate)*

**Non-related ASO Finding**

A. Payments and Transactions:

1. **Non-compliance to LACCD policies and procedures:** There are internal weaknesses with the process of properly authorizing and/or approving ASO transactions. This equates to a 100% error rate. *(Impact: Moderate)*

**Action Plans and Completion Dates:**

A. Payments and Transactions

1. West ASO will give each student an allowance for meals of $30 per day, if there are no meals provided by the conference. The rate will be adjusted accordingly if registration fees or hotel accommodation include meals. ASO Advisor and CFA will also double check for any update in policies related to per diem rates, to ensure that students are given the per diem rates that comply with policies. The ASO Advisor and the CFA will conduct a training for ASO staff and officers about the LACCD Board Rules, Administrative Regulations, Policies and Procedures that affect ASO. This training will be conducted on an annual basis. *(Implementation date: December 31, 2015)*

2. ASO will be required to attach Finance Committee meeting minutes, when required and other pertinent supporting documents along with the check requests, The ASO Advisor and the CFA will conduct a training for ASO staff and officers about the LACCD Procurement Policies and Procedures that affect ASO. This training will be conducted on an annual basis. *(Implementation date: December 31, 2015)*.

3. Since February 2015, ASO Advisor has stopped using her CalCard to pay for ASO-related expenses, to comply with LACCD policies. ASO Advisor and the CFA will conduct a training for the ASO staff and officers about the Procurement Policies and Procedures that affect ASO. This training will be conducted on an annual basis *(Implementation date: December 31, 2015).*
B. **Walkthrough Findings:**

1. ASO is getting ready with replacing the machine with a newer model that can accommodate automated collection of revenues. The coin-operated photocopier that ASO is planning to lease or purchase will address the issue of proper segregation of duties in collecting and recording revenues. While the newer machine is still not in place, ASO will stop operating the photocopier for revenue generation purpose (**Implementation date: December 31, 2015**).

2. ASO will stop operating the photocopier for revenue generation purpose. To address the proper accounting of movie ticket sales, the Student Services Assistant will perform an inventory count of all unsold movie tickets on a quarterly basis. The inventory count will also account for tickets purchased and tickets sold for the quarter. The count sheet will be reviewed by the College Financial Administrator and verified with the Business Office records. (**Implementation date: December 31, 2015**)

**Non-related ASO Action Plan:**

A. **Payments and Transactions:**

3. The current Vice President for Administrative Services signs all documents and does not possess a signature stamp. She will continue to affix her wet signature on all documents she approves. (**Implementation date: June 2015**)
Signatures:

Robert Sprague, Interim-President

Iris Ingram, Vice President of Administrative Services

Date: 11/10/15

Date: 11/12/15

Cc:
Francisco C. Rodriguez, Chancellor
Finance and Audit Committee, LACCD Board of Trustees
Adriana Barrera, Deputy Chancellor
Kevin Jeter, General Counsel (Acting)
Jeanette Gordon, Chief Financial Officer/ Treasurer

Audit Team:
Arnold Blanshard, CPA/MBA, Director, Internal Audit
LaSchanda Johnson, MBA, Auditor
## Associated Student Organization Audits

### Nine College Summary Matrix

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### Overall Audit Rating

- Needs Improvement
- Impaired

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<tbody>
<tr>
<td>Communicated</td>
<td>Possible Body of Report</td>
<td>Verbal</td>
<td>Body of Report</td>
<td>Executive Summary</td>
<td>Executive Summary</td>
<td>Executive Summary</td>
</tr>
<tr>
<td>Regulatory Impact</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
<td>Incidental</td>
<td>Serious</td>
<td>High or Related</td>
</tr>
<tr>
<td>Potential Financial Impact</td>
<td>Process Improvement</td>
<td>Insignificant</td>
<td>&lt; 10% of Department or Program Budget</td>
<td>11% to 30% of Department or Program Budget</td>
<td>31% to 50% of Department or Program Budget</td>
<td>&gt;50% of Department or Program Budget</td>
</tr>
<tr>
<td>Error occurrence percentage Rating***</td>
<td>N/A</td>
<td>1% to 15%</td>
<td>16% to 40%</td>
<td>41% to 65%</td>
<td>66% to 80%</td>
<td>81% to 100%</td>
</tr>
<tr>
<td>Corrective Action</td>
<td>N/A</td>
<td>Department or Program Discretion</td>
<td>120 days</td>
<td>90 days</td>
<td>60 days**</td>
<td>30 days**</td>
</tr>
<tr>
<td>Level of Manager Attention</td>
<td>Varies</td>
<td>Department or Program Manager</td>
<td>Deans Associate VP Associate Vice Chancellor</td>
<td>VP Director</td>
<td>Vice Chancellor Sr. Associate Vice Chancellor President</td>
<td>Chancellor Deputy Chancellor CFO President</td>
</tr>
<tr>
<td>Audit Tracking/Follow-up</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

** Immediate interim controls need to be established.

*** This is only applicable if there is no regulatory impact and the financial impact cannot be computed.
Los Angeles Community Colleges

**Leading Practice**
- No control concerns; potential process improvement observation only.
- Impact improves customer service; improves process for employees; may increase revenue or lower costs.
- Attention and decision as to implementation varies from first level Line of college or district management to Directors.
- Discussed in closing meeting; possible inclusion in audit report. No response required by business unit management.

**Verbal**
- The most minor of control concerns; tend to be exceptions found during testing that are cleared during audit.
- Impact (or risk) is very low on customer service, employees, revenues or costs.
- Error occurrence percentage rate is between 1% and 15%
- Only first level department or program management attention and decision as to implementation required.
- Discussed in closing meeting, but not included in audit report. No response required by business unit management.

**Marginal**
- Minor control concerns found.
- Impact is low on customer service, employees, revenues or costs.
- Financial impact is less than 10% of department or units budget
- Error occurrence percentage rate is between 16% and 40%
- Dean/Associate VP/Associate Vice Chancellor’s attention and decision as to corrective action required.
- Included in audit report and Internal Audit follow-up required.
- Corrective action period should be within 120 days.

**Moderate**
- Moderate control concerns found or incidental non-compliance with regulatory requirements or, in the opinion of the Legal, the finding is deemed a moderate risk.
- Impact is moderate on customer service, employees, revenues or costs.
- Financial impact is from 11% to 30% of department or units budget
- Error occurrence percentage rate is between 41% and 65%
- VP and Director’s attention and decision as to corrective action required.
- Included in audit report and Internal Audit follow-up required.
- Corrective action period is within 90 days.

**Considerable**
- High control concerns found or a serious instance of non-compliance with regulatory requirements or, in the opinion of the Legal, the finding is deemed a considerable risk.
- Impact is high on customer service, employees, revenues or costs.
- Financial impact is at least 31% to 50% of department or units budget
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- Error occurrence percentage rate is between 66% and 80%
- Vice Chancellor, Sr. Associate Vice Chancellor and College President’s attention and decision as to corrective action required.
- Appropriate regulators may be informed of the issue and corrective action.
- Budget and Finance committee is informed.
- Included in audit report and Internal Audit follow-up/validation of corrective actions required.
- Corrective action period is within 60 days. Immediate interim controls need to be established. Long-term solution may require additional time.

High
- High control concerns found with clear regulatory implications.
- Impact is high from a regulatory standpoint.
- Financial impact is at least 51% of department or units budget.
- Error occurrence percentage rate is between 81% and 100%
- Communicate to Chancellor, College President, Deputy Chancellor, General Counsel, CFO/ Treasury immediately.
- Chancellor, Deputy Chancellor, CFO, and College President’s attention and decision as to corrective action required.
- External auditor may be informed.
- Appropriate regulators may be informed of the issue and corrective action.
- Budget and Finance committee is informed.
- Included in audit report and Internal Audit follow-up/validation of corrective actions required.
- Corrective action period is within 30 days. Immediate interim controls need to be established. Long-term solution may require additional time.
### Audit Report Ratings Matrix

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective</strong></td>
<td>The overall control environment is functioning effectively. A few “marginal” rated findings were identified. Applicable financial, regulatory and reputation exposures are addressed and managed within tolerable levels. The internal control structure is sufficient to mitigate significant risks to the District/college, including controls for the prevention or timely detection of potential exposures. The quality and quantity of management reporting allows for appropriate oversight of the activities.</td>
</tr>
<tr>
<td><strong>Monitor</strong></td>
<td>Overall risk program has some notable weaknesses. A “considerable” rated or numerous “moderate” rated findings were identified. Control weaknesses were identified, which require corrective action in the near term to avoid significant financial loss, regulatory criticism or negative publicity. Risk management processes are not formalized and documented in all instances and are not clearly understood or followed consistently. Senior management attention is required to ensure corrective action is implemented and adhered.</td>
</tr>
<tr>
<td><strong>Needs Improvement</strong></td>
<td>Overall risk program needs improvement. A “high” rated or multiple “considerable” rated findings were identified. Weaknesses in internal control indicate a high probability that the District/college will incur material financial loss, significant regulatory criticism, fines, sanctions or reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or sufficiently documented, communicated and/or followed. Executive management attention is necessary to address the control weaknesses noted.</td>
</tr>
<tr>
<td><strong>Impaired</strong></td>
<td>Overall risk program is not acceptable. Multiple “high” or “considerable” rated findings were identified. Control deficiencies place the District/college at an imminent risk of material financial loss, significant regulatory criticism, fines, sanctions or significant reputation damage. Controls require extensive improvement to ensure timely detection and correction of risk exposures. Key policies are not in place or are not sufficiently documented, communicated and/or followed. Immediate Executive management attention is required to implement corrective action, including formalizing and communicating risk management procedures.</td>
</tr>
</tbody>
</table>
# Audit Report Rating Guidelines

The following are guidelines to be used when assigning an overall Audit Report Rating to a completed engagement. However, the Director of Internal Audit can adjust an audit report rating for cause and other relevant factors.

<table>
<thead>
<tr>
<th>RATING</th>
<th>Marginal</th>
<th>Moderate</th>
<th>Considerable</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective</td>
<td>&gt;4 and/or</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Monitor</td>
<td>≥3 and/or</td>
<td>1</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Needs Improvement</td>
<td></td>
<td>2 and/or</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Impaired</td>
<td></td>
<td>≥3 or</td>
<td></td>
<td>≥2</td>
</tr>
</tbody>
</table>