Los Angeles Community Colleges District

Report No. S-07-1415
Executive Summary

Audit: Los Angeles Southwest College – Associated Student Organization (ASO) Audit

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

Audit Report Date: January 31, 2015

Audit Period: July 1, 2012 through June 30, 2014.

Overall Audit Rating

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<th>ASO</th>
<th>NON-ASO</th>
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<td>High</td>
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Overall risk program is impaired. A “high” rated or multiple “considerable” rated findings were identified. Weaknesses in internal 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 Southwest 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 Southwest College (LASC). Currently the elected body consists of four elected students officials.

The ASO supports the growth of LASC 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:

- Discounted/preferred parking,
- Leadership experience
- 1st 100 students free flash drives or other item
- Free scantrons each week
- Free bluebook each week
- Free pencils, pens, and folders
- Eligibility to hold a student government office
- Ability to charter a club and use space on campus for events
- Amusement park and movie discounts
- Discounts on ASO campus sponsored events
- Eligibility for giveaway

The ASO Student Council meets on Wednesdays 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, LASC, 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 118.

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 LASC 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 LACCD annual audited Basic Financial Statement and Supplemental Information for the FY2012-2013 and FY 2013-14 was $23,634 and 34,445 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 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, 2012 through June 30, 2014.** The Internal Audit Department (IAD) interviewed key employees charged with the responsibility of executing the objectives of the Los Angeles Trade Technical 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. Walkthrough Findings:

1. **Non-compliance to LACCD policies and procedures:** ASO does not create an approved annual budget for its operation. This equates to a 100% error rate. *(Impact: High)*

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

3. **Non-compliance to LACCD policies and procedures:** There was no record of valid signers for the LASC ASO bank accounts. *(Impact: High)*

4. **Non-compliance with LACCD policies and procedures:** Lack of segregation of duties were noted within the LASC Business office associated with the processing of transactions, disbursement request approval process and posting transactions to the general ledger. *(Impact: High)*

5. **Non compliance to LACCD policies and procedures and best practices:** The ASO Request for Purchase Order or Check form is missing the title(s) of the approver(s). This equates to a 100% error rate. *(Impact: Moderate)*

6. **Non-compliance with LACCD policies and procedures and industry Best Practice:** The LASC business office does not maintain internal operations written policies and procedures manual for all ASO operations. *(Impact: Moderate)*

B. Payments and Transactions

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 43% and a dollar error amount of $34,325.18. *(Impact: Moderate)*

3. **Non-compliance to LACCD policies and procedures:** Expenditures procured were not properly authorized and/or approved. This equates to an error rate of 23% error rate and a dollar error amount of $9,645.36. *(Impact: Moderate)*

C. Revenue

1. **Non-compliance with LACCD policies and procedures:** LASC Business Office does not make bank deposits timely. This equates to a 43% error rate. The deposit ranges from two to 15 days. *(Impact: Considerable)*
Nonrelated ASO Findings

A. Walkthrough Findings:

1. **Non-compliance to LACCD policies and procedures**: Unrelated ASO Funds are deposited into the ASO Bank account and are recorded in the ASO accounting records (Quick Book). *(Impact: High)*

2. **Non-compliance with LACCD policies and procedure**: Child Development Instructional Material Fees are not recorded on the miscellaneous report that is used to report revenue collection from the college in SAP. *(Impact: Moderate)*

3. **Non-compliance with LACCD policies and procedures**: Improper use of the Men’s Athletic Football Trust Fund as funds was used to paint the college facility. *(Impact: Moderate)*

B. Payments and Transactions

1. **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 64.8% and a dollar error amount of $17,275.14. *(Impact: Considerable)*

2. **Non-compliance to LACCD policies and procedures**: Expenditures procured were not properly authorized and/or approved. This equates to an error rate of 23% error rate and a dollar error amount of $9,645.36. *(Impact: Moderate)*

C. Scholarship

1. **Non-compliance to LACCD policies and procedures**: Supporting documentation for ASO Scholarship disbursement was not provided. This equated to a 19.2% error rate and transactions valued at $2,401.29. *(Impact Moderate)*

2. **Non-compliance to LACCD policies and procedures**: The ASO operation associated with Scholarship disbursements lack the necessary documentation warranted for the approval of payment. This equated to a dollar error rate 46.4% and the dollar error totaled $13,306.57. *(Impact Moderate)*

**Action Plans and Completion Dates:**

S-07-1415
A. **Walkthrough Findings**

1. The ASO will create an approved annual budget for its operation *(May 2015)*

2. The ASO and College Business Office will implement a budget calendar that will provide a timeline for the preparation and approval of the budget on an annual basis. *(March 2015)*

3. The LACCD Policies and Procedures will be posted on the College website and links will be provided to ASO Executive Board members. *(March 2015)*

4. The College will conduct annual trainings in policies and procedures for all owners of ASO and non-ASO accounts and Business Office staff. *(October 2015)*

5. College will separate existing account into three separate accounts to meet LACCD Administrative Regulation: S-5 to not mingle ASO accounts with non-ASO accounts. *(March 2015)*

6. The college will set up and maintain designated accounts using Quick Book Accounting software as follows *(May 2015)*:
   a. ASSOCIATED STUDENT ORGANIZATION (ASO)
   b. TRUST ACCOUNTS
   c. SCHOLARSHIPS

7. The College will create a process for ASO and non ASO accounts set-up *(August 2015)*

8. The College will develop and put in place a process for maintaining, updating, and validating signatory cards associated with Funds accounts attributed to the ASO and non-ASO accounts. *(June 2015)*

9. The ASO will provide the Business Office signatory cards as required. *(February 2015)*

10. The Business Office will maintain a record of valid signers for the LASC ASO and non ASO bank accounts. *(February 2015)*

11. The Business Office will establish a process of annual review to ensure that the valid signers’ record is current and accurate. *(February 2015)*

12. College will assess, compare and evaluate staffing levels to like size comparable capacity sister campuses and adjust resource allocation to meet segregation of duties criteria. *(June 2015)*

13. College will train, monitor and adjust staff work assignments for optimal compliance. *(December 2015)*

14. Child Development Instructional Material Fees are currently being recorded on the miscellaneous report that is used to report revenue collection from the college in SAP. *(Fall 2015)*

15. College Business Office has created a new request form that provides a title, signature and date line for requestor and approver. *(February 2015)*
16. College will distribute form to owners of ASO accounts. (April 2015)

17. College Business Office will reject requests that are submitted using non College Approved forms. (April 2015)

18. The College will develop internal policies and procedure for ASO/ Auxiliary operations. (July 2016)

19. The College will conduct annual trainings in policies and procedures for all owners of ASO and non-ASO accounts and Business Office staff. (October 2015)

20. LACCD Policies and Procedures will be posted on the College website. (March 2015)

21. The College Business Office will develop a communication campaign reminding the campus community of the type of expenditures that can be funded by non-ASO trust accounts. (July 2015)

22. The College Business Office will conduct annual trainings in procurement policies for all owners of ASO trust accounts and Business Office staff. (October 2015)

23. The College Business Office will post District policies and procedures on its website. (March 2015).

B. Payments and Transactions

1. College will assess, compare, evaluate existing resources to allocate resources to provide adequate staffing to meet requirement to post all transactions in a timely manner. (June 2015)

2. The College Business Office will post all transactions to the Quick books accounting software. (August 2015)

3. College will adhere to LACCD procurement policies and procedures and business services guidelines for fund disbursement from ASO and non ASO accounts. (March 2015)

4. College administration will actively reinforce the requirement for adherence LACCD procurement policies and procedures and business services guidelines for fund disbursement from ASO and non ASO accounts. (March 2015)

5. College Business Office will reject any request for payment that is not supported with original supporting documentation in order to ascertain the validity of the request. (March 2015)

6. College Business Office will conduct an annual informational campaign to remind the campus community of the requirement for disbursing ASO and non ASO funds. (Annually, Starting October 2015)

7. College will provide links to LACCD Policies and Procedures will be posted on the campus website. April 2015)

8. College will adhere to LACCD administrative regulations and LACCD procurement policies and procedures to that all expenditures for ASO and non-ASO accounts are properly authorized and approved. (March 2015)


10. The College will post District policies and procedures on the college website.

11. The College Business Office will reject payment for all transactions that are not properly
approved and in accord with set LACCD guidelines and administrative regulations. (March 2015)

12. The College will offer and conduct annual trainings in policies and procedures for all owners of ASO and non-ASO accounts and Business Office staff. (Annually, Starting October 2015)

C. Revenue

1. The College Business Office will make deposits timely; (March 2015)
2. The College Business Office Supervising staff will monitor deposits regularly, particularly when there is large volume of collected currency and coin. (April 2015)
3. The College will ensure there is adequate staffing to ensure timely deposits within the 24 hour district requirement. (Periodic Review)

D. Scholarship

1. College will adhere to LACCD administrative regulations policies and procedures for verifying that properly approved supporting documentation for scholarship disbursement is provided prior to release of funds and provided website links to District policies and procedures. (March 2015)
2. College will separate existing account into three separate accounts to meet LACCD Administrative Regulation: S-5 to not mingle ASO accounts with non-ASO accounts. One of the three accounts will be designated “SCHOLARSHIPS”. (March 2015)
3. The College Business Office Supervisor will monitor expense transactions for accuracy. (March 2015)
5. The College will offer and conduct annual trainings in policies and procedures for all owners of ASO and non-ASO accounts and Business Office staff. (Annually, Starting October 2015)

6. The College will adhere to LACCD administrative regulations policies and procedures for verification of all supporting documentation and approval authority for scholarship disbursement. (March 2015)
7. The College Financial Aid Office will submit only college approved forms with approved supporting documentation and that the titles of requestor and approving authority and date are denoted on requests for scholarship disbursement. (March 2015)
8. The College will provide links to LACCD policies and procedures on the college website. (March 2015)
10. The College Business Office will reject payment requests for all transactions that are not properly approved and supported with original documentation. (February 2015)
11. The College will offer and conduct annual trainings in policies and procedures for all owners of ASO and non-ASO accounts and Business Office staff. (Annually, Starting October 2015)
Los Angeles Community Colleges District

Signatures:

Dr. Linda D. Rose, President
Date: 3-2-15

Perris Trimble, Vice President of Administrative Services
Date: 3-2-15

Cc:
Francisco C. Rodriguez, Chancellor
Finance and Audit Committee, LACCD Board of Trustees
Adrianna Barreza, 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
LaSchanda Johnson, MBA, Auditor