Los Angeles Community Colleges District

Report No. T-09-1415
Executive Summary

Audit: Los Angeles Trade Technical College – Associated Student Organization Audit

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

Audit Report Date: March 31, 2015

Audit Period: July 1, 2012 through May 31, 2014

<table>
<thead>
<tr>
<th>Overall Audit Rating</th>
<th>Number of Issues by Impact</th>
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<tbody>
<tr>
<td></td>
<td>ASO</td>
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<tr>
<td>High</td>
<td>04</td>
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<tr>
<td>Considerable</td>
<td>04</td>
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<tr>
<td>Moderate</td>
<td>05</td>
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<td>Marginal</td>
<td>01</td>
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<td>Total Issues</td>
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Overall risk program is impaired. 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 Trade Technical 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 Trade Technical College (LATTC). Currently the elected body consists of six elected students officials.

The ASO supports the growth of LATTC 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 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 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 LATTC 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 $82,081 and $59,671.26 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 ASO;
- 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, 2012 through May 31, 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.
MAJOR ISSUES IDENTIFIED:

A. Walkthrough

1. **Non-compliance with LACCD policies and procedures:** Business Office is offsetting all ASO Credit Card & Check receipts against the cash collected for online and offline cash sales. All ASO cash collected was deposited to the bank for the 47 days examined. *(Impact: High)* *This finding was identified as a prior audit finding.*

2. **Non-compliance with LACCD Policies and Procedures:** The catering process for the food truck is not within LACCD policy with revenue posting and expired contract from 1996. A new contract was approved by the Board of Trustees on November 5, 2014. The amounts collected during the scope of the audit totaled $60,000. *(Impact: High)*

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

4. **Non-compliance with Industry Best Practice:** An updated internal operation written policies and procedures for all pertinent areas was not maintained. *(Impact: Considerable)*

5. **Non-compliance to LACCD policies and procedures and Industry Best Practices:** The ASO advances and loans are inefficiently and ineffectively managed. *(Impact: Moderate)*

6. **Non-compliance to LACCD policies and procedures and Industry Best Practices:** Cal Card was used for procuring ASO expenses/purchases. *(Impact: Moderate)*

7. **Non-compliance to LACCD policies and procedures:** Assets purchased with ASO funds could not be located. *(Impact: Moderate)*

B. 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. This equates to an error rate range of 56%- 100% and a dollar error amount of $100,993.36. *(Impact: Considerable)* *This finding was identified as a prior audit finding.*

2. **Non-compliance with LACCD policies and procedures:** Expenditures procured were not properly authorized and/or approved. This equates to an error rate range of 22% - 54% and the total dollar error of $138,139.01. *(Impact: Considerable)*

C. Revenue

1. **Non-compliance with LACCD policies and procedures and regulatory guidelines:** ASO-Rep fee was posted to a trust and agency account and was not posted to the ASO revenue account. This equates to a 24% error rate and a dollar error totaled $1,229.00. *(Impact: Moderate)*

2. **Non-compliance with LACCD policies and procedures:** ASO receipts transactions were not posted timely in the ASO general ledger. During the audit period 7/2012 – 12/2012, untimely conditions were improved; however, after 1/2013 conditions were abandoned. This
equates to a 14.89% error rate and posting error ranges from 32-57 days (Impact: Moderate)

D. Banking and Investments

1. Non-compliance to LACCD policies and procedures, procedures, and best practices: All transactions are not posted to the Quick books accounting software. The dollar amount associated with this error totaled $20,701.99. (Impact: Considerable)

E. Prior Audit Follow-Up

1. Non-compliance to LACCD policies and procedures, procedures, and best practices: The ASO prior audit findings identified in the LATTC Cash Control audit have not been corrected as the corrective action plans were not fully implemented. (Impact: High)

Nonrelated ASO Findings

A. Walkthrough

1. Non-compliance to LACCD policies and procedures and Industry Best Practices: ASO funds are commingled with college funds that are associated with non-related ASO activities. Thereby using the ASO bank account for deposit and checks payments for these transactions. (Impact: High)

B. Payments

1. Non-compliance with LACCD policies and procedures: The necessary supporting documentation was not provided to ascertain the validity of payment made for Non-ASO expenditures. This equates to an error rate range of 62% - 100% and a dollar error amount of $56,765.23. (Impact: Considerable) *This finding was identified as a prior audit finding.

2. Non-compliance with LACCD policies and procedures: Expenditures procured were not properly authorized and/or approved. This equates to an error rate range of 85% - 100% and a dollar error amount of $50,737.50. (Impact: Considerable)

MANAGEMENT ACTION PLANS AND COMPLETION DATES:

A. Walkthrough

1. WEB collections will now be logged on a separate report and a check will be issued to ASO the following month. On a monthly basis, the Business office will deposit a reimbursement check to ASO for WEB collections of ASO related fees. (12/2014)

2. The College will deposit all catering contract funds to the college general funds. A new contract was approved by the Board of Trustees on November 5, 2014. (10/2014)
3. All signature cards are being updated with respective banking institutions. (12/2014)

4. ASO Policies and Procedures manual will be prepared. (1/2015).

5. College classifies Loans and Advances separately. (1/2015)

6. College has ceased the practice of utilizing Cal-Card for students (1/2015)

7. The college will include a process for tracking ASO assets in the policy and procedures. (6/2015)

8. The College will adopt an ASO budget by July 1, if the ASO student body has not done so. (7/2015)

B. Payments

1. College Administration was aware that corrective action was needed and this was implemented. Proper documentation will be required to ensure the validity of payments made for ASO expenditures (6/2014)

2. ASO Policies and Procedures will include a process for expenditures. Training will occur annually. (6/2015)

C. Revenue

1. The practice of the student representative fee being posted to a trust and agency account was ceased. (9/2014)

2. The college has assigned back-up personnel to the task of ensuring timely postings to the general ledger occur (12/2014)

D. Banking and Investments

1. A second employee verifies the accuracy of the information in Quickbooks and a process will be created which requires management to review. (6/2015)

E. Prior Audit Follow-Up

1. All prior recommendation will be implemented. (9/2014)

F. Non-ASO

1. The college ceased the practice of comingling ASO and College funds associated with activities (6/2015)

2. College Administration was aware that corrective action was needed and this was implemented. Proper documentation will be required to ensure the validity of payments made for ASO expenditures (6/2014)

3. ASO Policies and Procedures will include a process for expenditures. Training will occur annually. (6/2015)
Signatures:

Laurence B. Frank, President

Mary Gallagher, Vice President of Administrative Services

Date: 4/6/15

Date: 4/4/15

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

Audit Team:
Arnold Blanshard, CPA/CRMA/MBA, Director of Internal Audit
Keyna Crenshaw, Senior Auditor
LaSchanda Johnson: MBA, Auditor
Tiffany Britt, CFE, Auditor
Audit Memo

To: Dr. Laurence B. Frank, President,

From: Arnold Blanshard, C.P.A., M.B.A., CRMA, Director of Internal Audit

Date: April 7, 2015

Re: Los Angeles Trade-Technical College (LATTC) Associated Student Organization (ASO) Audit.

The Internal Audit Department (IAD) recently conducted the audit of LATTC ASO operations and is in the process of issuance of the audit report and Executive.

In accordance with our normal practice, we write to draw your attention to certain matters identified during the audit that were outside of the initial planned scope and review period of FY13 & FY14 (July 1, 2012 through May 31, 2014).

ACCOUNTING RECORDS

IAD noted that seventy six checks totaling $24,004.04 that cleared the LATTC ASO Bank of America checking account were not recorded in accounting reports as expenses. We have provided the college with the supporting documentation and our expectation as informed during our meeting on April 6, 2015 is to receive justification associated with the expenses within 30 days of this notification.

COLLEGE MISCELENOUS ACCOUNT

The process associated with ASO expenses were to use the LATTC Calcard whereby the ASO advance and or reimburse the LATTC for these expenses. As of February 26, 2015, IAD noted that ASO have an outstanding balance of $17,503.15 in this Account that is due the ASO. We have provided the college with the supporting documentation and our expectation as informed during our meeting on April 6, 2015 is to receive justification associated with the expenses within 30 days of this notification.
We appreciate your assistance and would like to thank the LATTC management and staff for their support and for their positive outlook on feedback as a resolution and improvement to operations. If any clarification is necessary on the related issues, let us know as we are always pleased to assist.

CC:
Budget and Finance Committee
Francisco Rodriguez, Chancellor
Laurence B. Frank, President
Adriana Barrera, Deputy Chancellor
Camille Goulet, General Counsel
Jeanette Gordon, Chief Financial Officer/ Treasurer
Mary Gallagher, Vice President of Administrative Services