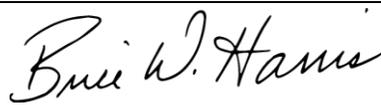




The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: September 21, 2015

SUBJECT: Independent Warrant Authority		Item Number: 2.3	
		Attachment: No	
CATEGORY:	Fiscal Policy	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Dan Troy, Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Brice W. Harris, Chancellor	Action	X
		Information	

ISSUE: This item presents a request for Independent Warrant Authority status pursuant to Education Code section 85266.5 from the Grossmont-Cuyamaca Community College District (GCCCD) and the Chabot-Las Positas Community College District (CLPCCD) to be effective July 1, 2016.

BACKGROUND: Independent Warrant Authority gives districts broad authority to issue warrants without review or approval of the County Office of Education or County Auditor. Under Education Code section 85266.5, the ability to issue warrants independent of county approval is granted by the Board of Governors, based largely on the recommendation from the community college district's county office of education and results of an independent certified public accountant survey of the district's accounting controls. This does not eliminate any other form of fiscal oversight, such as the requirement to complete an annual independent audit or the requirement to provide quarterly and annual financial data to the Chancellor's Office. A total of fifteen community college districts currently have fiscal independence status.

RECOMMENDATION: The Board of Governors concur with the recommendations of the San Diego County Office of Education, the San Diego County Auditor-Controller's Office, the Alameda County Office of Education, and the Alameda County Office of the Treasurer and Tax Collector and approve Independent Warrant Authority status for the GCCCD and the CLPCCD effective July 1, 2016.

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

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

Standards for Approval of District Applications for Independent Warrant Authority

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

Under fiscal independence, the chief financial officer and the accounting staff of the district must provide that scrutiny.

- Standard 1: Adequate Fund Balances - The district has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal years.
- Standard 2: Statute and Governing Board - The district makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.
- Standard 3: Adequate Internal Controls - The staff of the accounting, budgeting, contracts, management information systems, internal audits, personnel, and procurement departments are adequate in numbers and skill level to administer administrative programs independent of detailed review by the county office of education and to provide an internal audit function that assures adequate internal controls.
- Standard 4: Legality and Propriety of Transactions - The staff of the accounting, budgeting, contracts, management information systems, internal audits, personnel, and procurement departments exercise independent judgment to assure the legality and propriety of transactions.

Analysis of Grossmont-Cuyamaca Community College District's Request

In its initial review of the GCCCD's capacity to independently issue warrants, the certified public accountancy firm, Wilkinson, Hadley, King & Co, LLP, reviewed the standards outlined in the criteria and only found four minor exceptions.

The San Diego County Office of Education and the San Diego County Auditor's Office worked with Grossmont-Cuyamaca Community College District to address the deficiencies identified in the audit report prior to this fiscal independence request.

We have reviewed the materials provided by the San Diego County Office of Education, the San Diego County Auditor-Controller's Office and Wilkinson, Hadley, King & Co, LLP, which find all 4 standards were adequately covered and concur in their conclusions including the concerns regarding the new payroll system.

The district ended the 2013-14 fiscal year with an unrestricted ending fund balance of \$11,220,922. During the preceding five year review period, the GCCCD maintained positive fund balance in all other funds.

The Chancellor's Office staff has reviewed the materials provided by the San Diego County Office of Education, the San Diego County Auditor-Controller, and Wilkinson, Hadley, King & Co, LLP, and concurs the GCCCD satisfactorily meets the control standards required for independent warrant authority.

Analysis of Chabot Las Positas Community College District's Request

In its initial review of the CLPCCD's capacity to independently issue warrants, the certified public accountancy firm, Vavrinek, Trine, Day & Co, LLP, reviewed the standards outlined in the criteria and only found three minor exceptions, which the CLPCCD has agreed to resolve prior to July 1, 2016.

We have reviewed the materials provided by the Alameda County Office of Education, the Alameda County Office of the Treasurer and Tax Collector and Vavrinek, Trine, Day & Co, LLP, which find all 4 standards were adequately covered and concur in their conclusions including the concerns regarding the new payroll system.

The district ended the 2013-14 fiscal year with an unrestricted ending fund balance of \$10,983,356. During the preceding five year review period, the CLPCCD maintained positive fund balance in all other funds.

The Chancellor's Office staff has reviewed the materials provided by the Alameda County Office of Education, the Alameda County Auditor-Controller, and Vavrinek, Trine, Day & Co, LLP, and the Chancellor's Office concurs the CLPCCD satisfactorily meets the control standards required for independent warrant authority.

Staff: Michael Yarber, College Finance and Facilities Planning