

Internal Controls Review 2016/17

Sheena Tran, CPA, MBA

May 10, 2018

TO: ACCCA BOARD OF DIRECTORS

This is considered to be a financial review and recommendations for the Association of California Community College Administrators (ACCCA) regarding its financial records and day to day operations. The period examined is July 1, 2016 through June 30, 2017. No deficiencies in internal controls were noted to be material weaknesses. Recommendations and suggestions were made only to better improve ACCCA's internal controls. This engagement is not intended to generate an opinion on the Association's financial statements.

To: Board of Directors, Association of California Community College Administrators
(ACCCA)

From: Sheena Tran, CPA, MBA

Date: May 10, 2018

Subject: **Financial Review & Recommendations** for Association of California
Community College Administrators (ACCCA)

I performed the internal audit review of the financial records and operations of the Association of California Community College Administrators (ACCCA) for fiscal year ended **June 30, 2017**. *During the testing, I found no items that I believe are major weaknesses.* Based upon my testing, I have made recommendations and suggestions to better improve ACCCA's internal controls.

PURPOSE

The purpose of the review was to determine whether:

- controls were adequate to ensure the financial records were accurate, complete and timely
- ACCCA's assets were properly safeguarded and accountable for
- ACCCA's financial activities were in compliance with governing documents (charter, bylaws, procedures manual, meeting minutes, etc.) and regulations
- controls are in place to prevent & detect errors or fraud
- in summary - proper internal controls are in place; internal controls at the organizational level relate to the reliability of financial reporting, timely feedback on the achievement of operational goals and compliance with laws and regulations

SCOPE

The review examined internal controls and sampled transactions for fiscal year ended June 30, 2017. Specific areas reviewed included: cash and negotiables, receivables, payables, fixed assets, payrolls, net assets, disbursements, cash receipts, Board minutes, financial statements, records and contracts. At the request of the Executive Director, the Consultant also examined and provided verbal feedback regarding the work-in-progress of ACCCA's new policies and procedures manual during this internal controls review.

As stated in the engagement letter, **this is not considered to be an audit**. Therefore, this engagement is not intended to generate an opinion or any other assurance on the Association's financial statements.

IN SUMMARY

The attached Operational Audit Report provides comments and details on significant issues, along with recommendations for improvement. All matters were discussed with the Executive Director, Susan Bray, during and after the audit. The Association has issued its responses in regards to the audit findings and they have all been incorporated into this report. Ms. Bray and her team are always diligently working to ensure that ACCCA is adhering to proper internal control guidelines as recommended. It appears that there were some procedural changes for the upcoming fiscal years. According to Ms. Bray, she has made it her priority to work with the Policies & Procedures Committee to update ACCCA's policy and procedures manual to reflect best current practices. A draft has been put in place during fiscal year 2016/17 but it is still considered to be "work-in-progress" since it has not been completed. I will continue to assist and provide recommendations to Ms. Bray during the upcoming 2017/18 audit.

It has been a pleasure to serving the Association. The cooperation and assistance of the ACCCA staff was greatly appreciated during this review process. Please do not hesitate to contact me with any questions pertaining to this audit report.

CC: Susan Bray, Executive Director - ACCCA

**ASSOCIATION OF CALIFORNIA COMMUNITY COLLEGE ADMINISTRATORS
OPERATIONAL AUDIT REPORT
For Fiscal Year 2016/2017**

Background

Established in 1975, the Association of California Community College Administrators (ACCCA or “the Association”) is a non-profit member-supported professional organization for administrators and managers of California’s community college system. ACCCA provides its members with insurance benefits, publications, professional development opportunities, business partnerships, advocacy, peer counseling and assistance. Its operations consist of a small office (4 Full-Time Employees), with a budget of \$1,082,918 in revenue and \$1,042,984 in expenses for fiscal year 2016-2017.

Status of Previous Year Findings on 2014/15 Audit:

Prior year findings #1, 2 and 7 were implemented and findings #3, 4, 5 and 6 were not implemented. Two new findings have been added (see Findings #1 & 2) for 2016/17.

2016/17 Audit Current Year Findings:

Finding #1: Cash Receipts Testing

It appears that three district’s monthly membership dues were still being delivered to ACCCA’s old office with the address of “2017 O Street, Sacramento CA 95811,” therefore, membership payments did not get deposited into ACCCA’s bank account in a timely manner. The three districts noted were: Compton CCD, San Diego CCD and San Jose Evergreen CCD. Payroll deductions received were dated back to November 2016 and December 2016. Actual deposits did not take place until March of 2017. There was a long delay period between the time checks were issued by districts to the time they were deposited into ACCCA’s bank account. The longest time interval was 114 days from the check issuance date to the bank statement date.

Recommendations: *All monies collected should be deposited intact and in a timely manner. According to the original operating procedures, deposits should be deposited every other week. In this case, they are not being made in a timely manner if checks are not credited until 114 days later. Therefore, it is recommended that the organization follow-up to confirm that all office mail received gets forwarded to its current address. It should also contact Compton CCD, San Diego CCD and San Jose Evergreen CCD to ensure that they have ACCCA’s correct current mailing address on file for future payments.*

Association's Response:

Finding #2: Use of Credit Cards

In reviewing the credit card policy, it was noted that one employee did not have a cardholder agreement on file for utilizing the Association's American Express credit card.

Recommendations: *Per ACCCA's policies and procedures, designated staff can be provided with an ACCCA credit card for travel or event-related payments and purchases made on behalf of the Association. However, it is recommended that they sign an "Employee Cardholder Agreement" before they can be authorized to use the credit card to indicate that they understand the guidelines for using the Association's credit account. There should always be one agreement for every credit card on file for each employee.*

Association's Response:

Finding #3: Policies & Procedures

Prior Year: ACCCA does not currently have an up to date policies and procedures manual in place. The most current version was dated June 2010 and needs to be revised to reflect best current practices of the Association. --- This finding was partially implemented for fiscal year 2016/17. The Executive Director has been diligently working on the operations manual for ACCCA and has made tremendous progress. Her hope is to get this manual completed before the 2017/18 fiscal year audit, which has been tentatively scheduled for December 2018.

Recommendations: *Every organization should have a current policies and procedures manual in place. Proper guidelines should be followed in order for the Association to run its day to day operations smoothly. Please clearly state new deposit timelines in revised procedures. This will be the expectation and course of action for ACCCA staff members to follow pertaining to cash receipts deposits. According to ACCCA's Executive Director of Operations, she will make it her priority to continue working with the Policy & Procedures Committee to revise the original policies and procedures manual for the Association. The goal is to have it completed by the 2017/18 fiscal year audit.*

Association's Response:

Finding #4: Aged Reconciling Items

There are no written procedures in place to resolve aged reconciling items. Five checks remain reconciling items on ACCCA's June 30th bank reconciliation as of the 2016/17 audit (performed in April 2018). Four checks were issued within the same year of the audit and one was issued the year prior. Checks should be written off as soon as possible if they are not going to be cashed by payees.

Recommendations: *ACCCA should develop operating procedures with timelines for reconciling items. Procedures for resolving outstanding checks greater than **180 days** may include:*

- *Document number of attempt(s) to contact the payee*
- *If able to contact payee, reissue check and stop payment for the outstanding item*
- *If unable to contact payee, issue a stop payment for the check*

Association's Response:

Finding #5: Cash Receipts Journal vs. QuickBooks

ACCCA utilizes a cash receipts journal to record revenues received from its customers. This cash receipts journal is currently showing year to date totals, as it should be but it is not being reconciled to QuickBooks.

Recommendations: *QuickBooks is an accounting software used by ACCCA to maintain its financial records. Since ACCCA's monthly financial statements are derived from QuickBooks, it is recommended that ACCCA work directly with their Accountants to put a reconciliation process in place to tie year to date totals on the cash receipts journal to QuickBooks data. Any outstanding items or balances should be investigated. Quarterly basis reconciliations can be sufficient cross-checks.*

Association's Response:

Finding #6: Financial Statement Presentation - Checking Account

It appears that the wrong amount has been presented in the June 30, 2017 financial statement for the “Cash in Checking” category. Details noted on the trial balance do not tie to the totals reported on the balance sheet statement. There is also a discrepancy of \$1,128 reported more on the bank statement as compared to the amount recorded on the balance sheet (trial balance) for the “Cash in Checking” category.

Recommendations: *ACCCA should work closely with their Accountants to ensure that all amounts reported on its financial statements are fairly presented. According to guidelines set forth by the American Institute of Certified Public Accountants, all financial statements are the responsibility of Management and they should be fairly presented using the cash basis of accounting.*

Association’s Response: