

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**To the Board of Trustees  
San Diego County Office of Education  
San Diego, California**

We have performed the procedures identified below, which were agreed to by the San Diego County Office of Education (the County Office) to assist the County in making a determination about whether Mira Costa Community College District (the District) is in conformity with standards set forth in Education Code §85266.5 for the Board of Governors Approval of the District Application for Fiscal Independence meeting standards. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of these procedures described below either for the purpose for which this report has been requested or for any other purpose.

**PROCEDURES**

We performed procedures to determine whether the statements listed in Standards 1-4 of the California Community Colleges Fiscal Independence Checklist were satisfied (Attachment A) as follows:

- 1) Reviewed the previous five years audit reports
- 2) Interviewed management and staff of the accounting department, purchasing department, human resources department, payroll department and technology department.
- 3) Reviewed board policies applicable to internal controls, accounting functions, hiring functions, and conflicts of interest.
- 4) Reviewed board minutes for the previous year.
- 5) Verified bid requirements met through review of purchasing documentation and board minutes.
- 6) Performed a walk through to gain a clear understanding of procedures and controls in place.
- 7) Reviewed written procedures for administrative and accounting functions.
- 8) Reviewed District structure and job assignments.

**RESULTS OF PROCEDURES PERFORMED**

*Standard 1: Adequate Fund Balance*

The District met consistently all of the statements.

*Standard 2: Statute and Governing Board*

The District met consistently all of the statements with two exceptions as noted below:

- 1) Item 2t indicates that all internal and external audit exceptions and recommendations are promptly reported to the campus presidents, district chancellor, and board. In our review of the District we noted that an internal audit function is established to begin with the 2018-19 fiscal year and as such the District cannot show consistent reporting of internal audit exceptions and recommendations until sufficient time has passed to allow for reporting results of internal audits. We concluded that external audit exceptions and recommendations are promptly reported to the campus presidents, district chancellor, and board.
- 2) Item 2u indicates that all internal and external audit recommendations have been reviewed, acted upon and resolved in a timely manner. In our review of the District we noted that an internal audit function is established to begin with the 2018-19 fiscal year and as such the District cannot show consistent resolution to internal audit recommendations until sufficient time has passed to allow for reporting of results of internal audits and sufficient time for the District to respond to such results. We concluded that external audit recommendations have been reviewed, acted upon and resolved in a timely manner.

*Standard 3: Adequate Internal Controls*

The District met consistently all of the statements.

*Standard 4: Legality and Propriety of Transactions*

The District met consistently all of the statements with three exceptions as noted below:

- 1) Item 4f indicates that the warrants are audited by someone other than the person responsible for the warrant payments to ensure sufficient oversight to support the legality and issuance of warrants. In our review of the District we noted that the District has not been responsible for this function which currently is performed by the county office of education. The District has plans in place to reassign two financial responsibilities to fill this role once fiscal independence is received; however, the transition of duties to fulfill this responsibility has not yet occurred. In addition, the district has other mitigating controls to ensure that payments are properly processed.
- 2) Item 4i indicates that the District performs accurate and timely STRS, PERS, FICA, Workers' Compensation, and Unemployment Insurance reports as well as Federal/State Withholding Tax reports. We noted that the District has not been responsible for these functions as they have been performed by the County Office. The District is implementing a human resources, payroll and finance system that is scheduled to go live for payroll on January 1, 2020. Prior to going live the district has planned trial runs to ensure that all reporting will be accurate and ready to go before actual payroll is processed under the new system.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the object of which would be the expression of an opinion or conclusion, respectively, on whether the District conformed with standards set forth in Education Code §85266.5. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the San Diego County Office of Education, The Mira Costa Community College District, and the California Community Colleges Systems Office and is not intended to be and should not be used by anyone other than those specified parties.

*Wilkinson-Hadley King + Co LLP*

El Cajon, California  
August 2, 2018

**MiraCosta Community College District Fiscal  
Independence Checklist**

	Yes/Met Consistently	Met Partially	No/Not Met
<b>1. Adequate Fund Balances</b>			
<b>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.</b>			
a. For the past five fiscal years the District has maintained fund balances in its unrestricted general fund at or above the minimum established by the California Community Colleges, System Office.	X		
b. The District has avoided deficit fund balances in its funds for the past five fiscal years.	X		
c. Appropriation balances are checked before orders are forwarded.	X		
d. Procedures are established to assure sufficient funds are in the county treasury before issuing/requesting warrants.	X		
e. Provision is made early in the fiscal year to assure adequate cash to operate the district until receipt of local taxes and state subventions.	X		
f. Purchase orders are verified for availability of funds, within budget limits authorized for division, campus, or program.	X		
<b>2. Statute and Governing Board</b>			
<b>The District makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.</b>			
a. All funds are established in accordance with applicable statutory requirements in the Education Code, the Government Code, and the California Code of Regulations (Title 5).	X		
b. The board has adopted a conflict of interest policy consistent with Government Code, beginning at Section 87300, and has ensured wide distribution to all staff and contractors.	X		
c. Payments, loans, and advances to employees from undeposited receipts are prohibited.	X		
d. State regulations on adoption of the District budget are followed.	X		
e. The accounting system is established and maintained in accordance with the Community Colleges Budget and Accounting Manual (BAM).	X		
f. Debt records are centrally maintained.	X		
g. If the District maintains a revolving fund, it is established in accordance with the Community Colleges BAM.	X		
h. Controls are established over advances to and receivables from employees.	X		

	Yes/Met Consistently	Met Partially	No/Not Met
i. The local board authorizes all sales of real or major personal property.	X		
j. The required notice is given before major sale of equipment or real estate.	X		
k. Sales of District property to board members and District employees are prohibited (Government Code Section 1090).	X		
l. Each purchase order is verified for legality before issuance.	X		
m. Procedures are in place to preclude unallowable costs and expenditures on State and Federal grants.	X		
n. Additional authorizations and signatures are required on major purchases.	X		
o. Bids are solicited as required by Public Contract Code, Section 52011.	X		
p. Safeguards are in place to prevent conflict of interest by board members and employees.	X		
q. Controls are established to assure that payroll costs charged to grants are in compliance with agreements.	X		
r. The board has adopted a conflict of interest policy consistent with Government Code and has ensured wide distribution to all staff and contractors.	X		
s. The district has a written policy that clearly prohibits the use of the revenues or expenditures of student body funds for the District's operations.	X		
t. All internal and external audit exceptions and recommendations are promptly reported to the campus president, district superintendent, and board.		X	
u. All internal and external audit recommendations have been reviewed, acted upon and resolved in a timely manner.		X	

**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 conduct administrative programs independent of detailed review by the county office of education and to provide an internal audit function that assures adequate internal controls.**

a. A plan of District that provides segregation of duties appropriate for the safeguarding of District assets.	X		
b. Procedures are established to monitor compliance with:			
• Financial reporting requirements	X		
• Use of funds and other grant terms	X		
• Timely billing of amounts due under grants	X		

	Yes/Met Consistently	Met Partially	No/Not Met
c. For entitlements and apportionments, comparisons are made of the amount anticipated and the amount received – variances are investigated and resolved.	X		
d. A responsible official reviews statistical and data reports before they are submitted.	X		
e. Controls are in place to assure adequate follow-up on unmatched invoices, purchase orders, and requisitions.	X		
f. Purchases have been centralized in the business office under an employee designated by the board.	X		
g. The person responsible for signing warrants is bonded in an amount fixed by the governing board.	X		
h. The District maintains security (control) over payroll and commercial warrants at all times in the process (i.e. from raw stock to mailing of warrants including security over signature plates and/or software embedded signatures).	X		
i. The IRS 1099 requirements are met.	X		
j. The procedures are adequate for placing personnel on the proper salary schedule.	X		
k. The personnel information, current and historical, is available to meet all reasonable district requirements.	X		
l. For open, on-line systems of procurement and budget reports, adequate controls of access to files and security of data are maintained.	X		
m. There are adequate controls over the distribution of reports.	X		
n. There is adequate follow-up on unmatched transactions between master record and transaction records.	X		
o. Controls over master files are adequate.	X		
p. Copies of important programs, records and files are kept in separate fireproof storage.	X		
q. Documentation is kept up to date and record keeping practices are adequate to support transactions (for audit trail purposes).	X		
r. Safeguards are adequate to prevent unauthorized entry of program changes and/or data.	X		
s. There are systems and procedures manuals for the administrative activities of the district.	X		
t. The District has adequate business continuation plan to ensure that the District could continue to process payments in case of a disaster that destroys the District's computer facilities.	X		
u. The external auditors report on the lack of or weak internal control procedures and make recommendations to management.	X		

**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.**

- a. The *accounting office staff* exercise independent judgment on the legality and propriety of accounting transactions.
- b. The *fiscal officer* exercises independent judgment on the legality and propriety of accounting transactions.
- c. The *person signing warrants* exercises independent judgment on the legality and propriety of all district expenditures.
- d. The *purchasing agent* exercises independent judgment in the legality and propriety of purchases made on behalf of the district.
- e. The District has a separate independent receiving division to handle receipt of all materials and equipment.
- f. The warrants are audited by someone other than the person responsible for warrant payments to ensure sufficient oversight to support the legality and issuance of warrants.
- g. The custodian of inventory is independent of the purchasing and receiving departments.
- h. The personnel office exercises independent judgment in assuring the legality and propriety of personnel transactions.
- i. The District performs accurate and timely STRS, PERS, FICA, Worker's Compensation, and Unemployment Insurance reports as well as Federal/State Withholding tax reports.
- j. The staff of the management information systems department exercises independent judgment in assuring the legality and propriety of data processing activities.
- k. The management information systems department is independent of all operating units it serves.
- l. An independent internal audit function is performed to determine compliance with policies, laws, regulations and accounting procedures.
- m. Adequate safeguards have been established to maintain the independence and integrity of the accounting function.
- n. If the District is too small for a separate receiving department, controls are in place to assure receipt of items before invoice is paid; staff is identified to verify quantity and quality of items received and to match receiving documents against purchase orders.

	<u>Yes/Met Consistently</u>	<u>Met Partially</u>	<u>No/Not Met</u>
	X		
	X		
	X		
	X		
	X		
			X
	X		
	X		
			X
	X		
	X		
	X		
	X		
	N/A		