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## III.D. FINANCIAL RESOURCES

*\*In order to avoid redundancy and be as concise as possible, the College created a Glossary located in the Appendix explaining the processes and structures of the institution, such as Program Review. These processes and structures referenced in the report are noted with asterisks which are explained in greater detail in the Glossary.*

### Planning

#### III.D.1

**Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. (ER18)**

#### **Evidence of Meeting the Standard:**

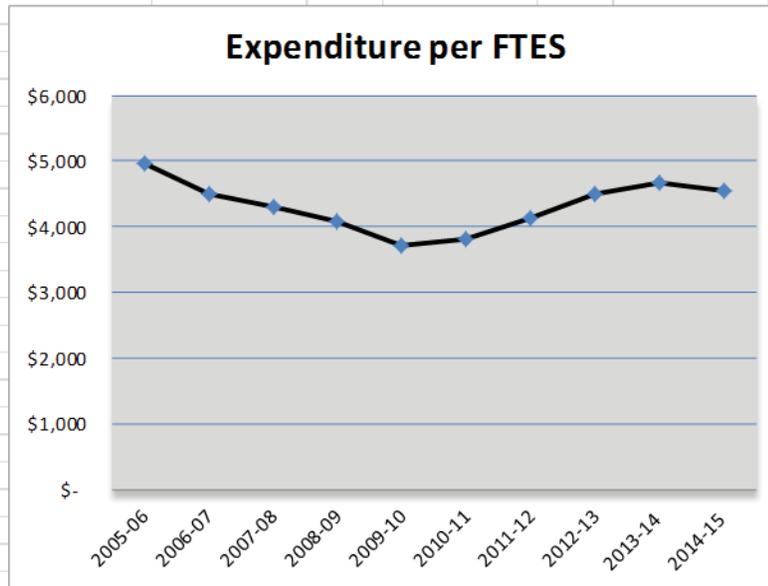
- LACCD developed a budget model in fiscal year 2012-2013 for each of its nine campuses as a function of their program offerings. The College budget for fiscal year 2015-2016 is \$32 million (III.D.1-1),(III.D.1-2).
- The College receives an annual allocation from the District. Adjustments are made throughout the year as the state provides updated financial information.
- The budget allocation model includes funding for administration, maintenance and operations, and scheduled maintenance from both the unrestricted and the restricted general funds (III.D.1-3),(III.D.1-4).
- The fund allocation is sufficient to support programs and services as evidenced by the College's ability to reach its enrollment goal (III.D.1-5),(III.D.1-6a-d).
- The College has reached its FTES goal for the last two years while maintaining a positive ending balance each year (III.D.1-7).
- Each May, the District publishes a draft budget, followed in September by a detailed budget on the College's unrestricted general fund. The Budget and Planning Committee (BPC) members receive budget projections in monthly meetings and at other times when additional funds become available. BPC subsequently recommends the distribution of these funds to College Council based on an established process. The steps in this system identify needs, prioritize solutions, and maximize institutional goals (III.D.1-8), (III.D.1-9).

### Unrestricted General Fund Annual Budget (2005-2006 through 2014-2015)

Fiscal Year	Operating Budget ***	% Change (Bgt.)	Expenditures	% Change (Exp.)	Unrestricted Surplus/ (Shortfall)	Restricted Deficits & Other Adjustments	Budget Balance
2014-2015	\$ 30,065,222	5.2%	\$ 29,504,439	3.9%	\$ 560,783	\$ (231,970)	\$ 328,813
2013-2014	\$ 28,566,006	5.9%	\$ 28,387,011	6.9%	\$ 178,995	\$ (160,688)	\$ 18,307
2012-2013	\$ 26,965,097	0.9%	\$ 26,550,347	1.2%	\$ 414,750	\$ (416,590)	\$ (1,840)
2011-2012	\$ 26,728,733	-5.0%	\$ 26,226,467	-1.7%	\$ 502,266	\$ (286,679)	\$ 215,587
2010-2011	\$ 28,124,023	4.3%	\$ 26,687,152	2.9%	\$ 1,436,871	\$ (22,971)	\$ 1,413,900
2009-2010	\$ 26,972,836	-3.6%	\$ 25,928,556	-5.2%	\$ 1,044,280	\$ (72,010)	\$ 972,270
2008-2009	\$ 27,991,603	0.1%	\$ 27,346,181	0.4%	\$ 645,422	\$ (144,110)	\$ 501,312
2007-2008	\$ 27,964,568	15.8%	\$ 27,244,714	10.6%	\$ 719,854	\$ (389,436)	\$ 330,418
2006-2007	\$ 24,139,928	9.6%	\$ 24,631,207	5.0%	\$ (491,279)	\$ 0	\$ (491,279)
2005-2006	\$ 22,017,073	0.8%	\$ 23,451,639	11.7%	\$ (1,434,566)	\$ (0)	\$ (1,434,566)

Note \*\*\* Annual operating budgets as presented include the balance being carried forward from prior fiscal year.

### UNRESTRICTED EXPENDITURE PER FULL-TIME EQUIVALENT STUDENT (2005-2006 through 2014-2015 TREND)



#### Analysis and Evaluation:

In the aftermath of the 2008 economic recession, the College concentrated its resources on the maintenance of instructional departments and student services and emphasized stability over innovation. Throughout the crisis, and despite diminished state funding, the District and the College remained fiscally solvent. The College establishes priorities to weather economic downturns, maximize student access, and uphold its financial viability. The influx of additional discretionary funding in the last couple years has permitted BPC to consider resource requests for growth and innovative programs.

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In an effort to closely monitor its budget and develop strategies based on continued fiscal solvency, the College submits monthly budget projections to and holds quarterly meetings with the District CFO and staff. Independent annual audits further safeguard the College's fiscal practices; in the event of an exceptional audit finding, the issue is quickly remedied.

The College has demonstrated sound financial planning and execution by consistently meeting enrollment targets within its allocated budget. The District allocation formula is based on enrollment and funds are disbursed for key areas such as maintenance and operations. Annual fiscal reports to ACCJC comprise key financial data spanning three years and provide an additional tool for financial self-assessment.

In the event of a project budget shortfall, the College develops strategies to reach a balanced budget and maintain fiscal solvency. The recommendations are presented to the Budget and Planning Committee for discussion and feedback. LAMC has been fiscally solvent with a positive ending fund balance for the past six years.

Los Angeles Mission College meets this standard.

#### **LIST OF EVIDENCE**

III.D.1-1	<a href="#">LAMC Final Budget of Unrestricted General Fund</a>
III.D.1-2	<a href="#">LACCD Budget Allocation Model</a>
III.D.1-3	<a href="#">Unrestricted General Fund by Sub-major Commitment Item</a>
III.D.1-4	<a href="#">Restricted General Fund Appropriations</a>
III.D.1-5	<a href="#">Unrestricted General Fund – Annual Open Orders and Ending Balances</a>
III.D.1-6a	<a href="#">2013-2014 Annual FTES Report</a>
III.D.1-6b	<a href="#">Fall Enrollment Comparison 2013-2015</a>
III.D.1-6c	<a href="#">2014-2015 Annual FTES Report &amp; Percent Growth</a>
III.D.1-6d	<a href="#">2015-2016 Annual FTES Growth Target</a>
III.D.1-7	<a href="#">Unrestricted Gen Funds-10-year Trend</a>
III.D.1-8	<a href="#">2015-2016 BPC Over Base Request Ranking Results</a>
III.D.1-9	<a href="#">2015-2016 Budget Development Calendar</a>

#### **III.D.2**

**The institution's mission and goals are foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.**

#### **Evidence of Meeting the Standard:**

- The College Mission and goals drive financial planning and constitute the bedrock of the Program Review\* process (III.D.2-1),(III.D.2-2),(III.D.2-3).
- College processes revolve around monthly financial projections: these are reviewed by BPC on a monthly basis and all relevant information is shared with College constituents and College Council (III.D.2-4),(III.D.2-5).

- The allocation of resources is managed through the Program Review\* process (III.D.2-6 through III.D.2-9).

### **Analysis and Evaluation:**

The budgeting process and Program Review\* provide effective means for the equitable and fiscally sound distribution of resources across College programs. Moreover, the District’s Budget Committee serves as a vehicle for the cohesive alignment between local financial and educational planning and District-wide goals.

The College has a transparent budget process and makes information readily available through monthly reviews and reports to the College and the District (III.D.2-10).

Resource funding requests routinely link goals and planning directly to the College Mission. In fact, the connection with the College Mission is a component in measuring the strength of a resource request in all Program Review\* documents. All requests (personnel, supplies and equipment, increasing ongoing department needs) are prioritized and vetted through a campus participatory governance process.

### **LIST OF EVIDENCE**

- III.D.2-1 [Integrated Planning at LAMC](#)
- III.D.2-2 [Planning Document Linkage- Conceptual Framework for Planning](#)
- III.D.2-3 [Comprehensive Program Review – Social Science](#)
- III.D.2-4 [LAMC Monthly Financial Projection](#)
- III.D.2-5 [BPC Meeting Agenda](#)
- III.D.2-6 [Program Review Process](#)
- III.D.2-7 [Resource Request Form and Rubric](#)
- III.D.2-8 [Scoring Rubric for Resource Requests](#)
- III.D.2-9 [List of Prioritized and Funded Resource Requests](#)
- III.D.2-10 [Unrestricted General Funds-10-year Trend](#)

Los Angeles Mission College meets this standard.

### **III.D.3**

**The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.**

#### **Evidence of Meeting the Standard:**

- The LACCD Board of Trustees establishes the budget calendar for each academic year. The College budget planning begins with each department reviewing the listing of full-time employees and budget line items for accuracy (III.D.3-1).
- Departments may reallocate their budgets items between non-salary line items and request additional resources through the Program Review\* process. (III.D.3-2).
- The College community has ample opportunities to participate in budget planning and development through Program Reviews\* conducted in each unit. Additionally,

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all faculty and staff can access information on budget and planning through their constituency representation in shared governance committees (III.D.3-3), (III.3-4).

- The District consistently maintains adequate reserves to meet its cash flow obligations (III.D.3-5).

### **Analysis and Evaluation:**

Consistent with their core value of fiscal stability, the District and College maintain sufficient cash flow and reserves in a self-insurance fund to meet all current and reasonably anticipated future obligations, including possible risk losses. Strategies for appropriate risk management and contingency plans to meet financial emergencies and unforeseen occurrences further assure the institution's fiscal viability.

The Program Review\* process guides College financial planning and budget development, including the prioritization of resource requests. Institutional planning takes place through a variety of committees, including College Council and BPC, with representation from all constituency groups.

Each year, BPC sends out the prioritized resource requests list to the entire campus for review before the items are put to a vote at College Council. The College has developed transparent systems that provide appropriate opportunities for all faculty and staff to participate in the development of institutional plans and resource allocations.

Los Angeles Mission College meets this standard.

### **LIST OF EVIDENCE**

- III.D.3-1 [Annual Budget Proposal Process](#)
- III.D.3-2 [Program Review Process and Resource Request](#)
- III.D.3-3 [Budget and Planning Website](#)
- III.D.3-4 [College Council Website](#)
- III.D.3-5 [LACCD 2015 Annual Audit](#)

### **Fiscal Responsibility and Stability**

#### **III.D.4**

**Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.**

#### **Evidence of Meeting the Standard:**

- The District undergoes an independent annual audit to verify the accuracy of its financial statements and fiscal management practices as well as the effectiveness of its internal controls. When findings occur, corrections and improvements are implemented in a timely manner. In addition, the District conducts regular internal audits to assess its oversight of financial and information systems and uses the findings as a basis for improvement (III.D.4-1).
- The District's budget process provides an effective financial management tool to weather periods of volatility in funding streams (III.D.4-2).
- The College relies on the District to provide resources for its general operations (III.D.4-3).
- Many departments have developed entrepreneurial opportunities and income streams;

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for example, the Health and Fitness Department provides opportunities to external parties to rent the LAMC Health and Fitness facilities (III.D.4-4).

- The College is in partnership with external agencies, such as LACOE and the Youth Policy Institute, to deliver contract education. These additional resources augment the unrestricted general fund. If additional, unexpected funds become available throughout the year, recommends the manner in which these resources are allocated (III.D.4-5).

### **Analysis and Evaluation:**

The District and College regularly evaluate financial management practices and make improvements as needed. In due course, the processes have become very effective and enable the institution to weather difficult economic periods.

Business functions, carried out under the supervision of the Vice President of Administrative Services, include payroll and personnel services, accounts payable and receivable, account reconciliation, requisitions, purchasing, contracts, and grants. Managers of externally-funded programs also meet with the business staff and administrators to ensure that financially sound and generally accepted accounting practices are routinely followed in such programs.

Financial planning is based on the evaluation of available resources and prioritization principles targeted toward College main objectives. The College continually strives for a fair distribution of resources based on its mission and collaborates closely with the District Office. Monthly projects, quarterly reviews of FTES objectives, and financial projections for evaluation guarantee the alignment of the College's operations with the District objectives.

Los Angeles Mission College meets this standard.

### **LIST OF EVIDENCE**

- III.D.4-1 [LACCD 2015 Annual Audit](#)
- III.D.4-2 [2015-2016 Final Budget-General Fund by Expenditure Class](#)
- III.D.4-3 [LAMC Final Budget of Unrestricted General Fund](#)
- III.D.4-4 [Trust Fund Charter for Health and Fitness](#)
- III.D.4-5 [Contract with LACOE and Youth Policy Institute](#)

### **III.D.5**

**To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.**

### **Evidence of Meeting the Standard:**

#### **LACCD:**

The District has well-established and appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision-making. The District

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regularly evaluates and updates its policies, financial management practices, and internal controls to ensure financial integrity and the responsible use of its financial resources.

- a. The Board established and regularly updates board rules which address financial management and internal control structures. Board Rule 7608 requires the Chief Financial Officer/Treasurer (CFO) to generate interim financial reports, including current income and expenditures, which are submitted to the Chancellor monthly from October through June. The Chancellor, in turn, provides a District quarterly financial status report to the Board, in addition to monthly reports provided to the Budget and Finance Committee (BFC). These reports are widely disseminated and inform sound financial decision-making at the District and colleges (III.D.5-1),(III.D.5-2),(III.D.5-3).
- b. Board Rule 7900 establishes the Internal Audit Unit as “*an independent appraisal function within the LACCD to examine and evaluate the activities of the District...Internal Audit will report audit findings to the Board of Trustees’ Audit/Budget Committee no less than annually.*” This Board Rule requires the Internal Audit Unit to ensure that “*...financial statements and reports comply with Board policy, applicable government regulations and generally accepted accounting practices...internal accounting controls are adequate and effective...[and] operating policies promoting compliance...are enforced.*” (III.D.5-4), (III.D.5-5),(III.D.5-6).
- c. The District Budget Committee (DBC), Board Budget and Finance Committee (BFC), Board of Trustees, and the colleges receive financial information on a set schedule. Information on resource allocation, debt management, and financial management is routinely provided to the BFC and DBC so their committee members can be fully informed when making policy recommendations to the Board of Trustees and Chancellor (III.D.5-7).
- d. The Office of Budget and Management Analysis develops district-wide revenue projections, and is also charged with the management of District resources. Since 1993, the District has followed a set budget development calendar which ensures full engagement of the colleges, Board of Trustees, and District Office staff. The budget development calendar is evaluated and updated annually; the current version reflects oversight enhancements brought about by upgrades to the District’s financial operational system (SAP). The District also disseminates and trains employees to use its “Budget Operational Plan Instructions” manual to reinforce internal control procedures (see Standard III.D.10),(III.D.5-8).
- e. The District received an unmodified external audit, with no identified material weaknesses, for 2013 and 2014. The District has consistently had unqualified financial statements and unmodified external audit reports for the past 30 years (III.D.5-9 through III.D.5-15).
- f. To ensure financial integrity of the District and the responsible use of its financial resources, District and college financial staff review best practices with both internal and external auditors, and revise procedures to strengthen internal controls (III.D.5-16).
- g. To ensure the District’s internal control structure has the appropriate level of oversight, the Internal Audit Unit sets yearly review plans, providing Corrective Action Plan updates to the Board Budget and Finance Committee (BFC) on a quarterly basis (III.D.5-17 through III.D.5-24).
- h. The Internal Audit unit conducted a District-wide risk assessment study and determined the need for a comprehensive database which would strategically identify, and mitigate, risks. This project is scheduled for implementation in FY 2015-2016 (III.D.5-25).
- i. The Central Financial Aid Unit (CFAU) continually monitors federal Perkins loans and Nursing loans. Student Financial Aid is audited annually by external auditors, as required by OMB

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Circular A-133, and is also subject to audits performed by grantors. The District has not received any material findings or questioned significant costs in the past ten years (III.D.5-31).

**LAMC:**

- The District and College regularly evaluate financial management practices. At the College, the Vice President of Administrative Services oversees all financial matters and reporting requirements.
- The College generates monthly financial status reports to evaluate its financial decisions and allocation of resources (III.D.5-26).
- Additionally, the College completes a quarterly financial and enrollment report that is sent to the District and to the state; the College Executive Team and the District Executive Team meet to review the quarterly financial status and compare projections on enrollment and budget (III.D.5-27).
- Financial information is disseminated on a monthly basis through BPC and posted on the BPC website. Departments' budget information is linked to the BPC website (III.D.5-28).
- Internal controls of financial transactions are articulated in the Business Office Processes Manual. The manual is reviewed and updated annually and clearly spells out business staff's duties (III.D.5-29).
- The District Audit Department performs an annual internal audit of the College cash controls (III.D.5-30).
- In addition to the Business Office each department manages its own budget and any access to the budget transfer and purchase order system. Controls are in place relative to limited permissions and required approvals to assure financial integrity and accountability.

**Analysis and Evaluation:**

**LACCD:**

The District has a well-integrated financial management process that regularly evaluates its financial practices and internal control structure to ensure the financial integrity of the District. The Chief Financial Officer/Treasurer and colleges work together to ensure that dependable and timely information for sound financial decision-making is consistently available to all parties. The provision of accurate financial information on a regular schedule has enabled the District to make sound financial decisions and ensure the responsible use of its financial resources. The District meets this Standard.

**LAMC:**

The College employs proper controls in handling its resources. Each department receives information on its budget, may review it for accuracy, and reallocate funds among non-salary items. The evaluation of the College's financial practices occurs during annual retreats, through the assessment of Service Area Outcomes (SAOs) and Program Review\*.

Los Angeles Mission College meets this standard.

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## LIST OF EVIDENCE

III.D.5-1	<a href="#">Board Rule 7608</a>
III.D.5-2	<a href="#">Financial reports to the Board</a>
III.D.5-3	<a href="#">Financial Reports to BFC and BFC Minutes</a>
III.D.5-4	<a href="#">Board Rule 7900</a>
III.D.5-5	<a href="#">Board Rule 7900.10-7900.12</a>
III.D.5-6	<a href="#">Presentation of Audit to BOT</a>
III.D.5-7	<a href="#">LACCD Financial Report Information and Frequency, 2015</a>
III.D.5-8	<a href="#">LACCD Budget Development Calendar 2015-2016, 6/26/2015</a>
III.D.5-9	<a href="#">LACCD Financial Audit – 6/30/2014, pages 82 and 87</a>
III.D.5-10	<a href="#">LACCD Financial Audit – 6/30/2009</a>
III.D.5-11	<a href="#">LACCD Financial Audit – 6/30/2010</a>
III.D.5-12	<a href="#">LACCD Financial Audit – 6/30/2011</a>
III.D.5-13	<a href="#">LACCD Financial Audit – 6/30/2012</a>
III.D.5-14	<a href="#">LACCD Financial Audit – 6/30/2013</a>
III.D.5-15	<a href="#">LACCD Financial Audit – 6/30/2014</a>
III.D.5-16	<a href="#">LACCD Financial Audit – 6/30/2014, pages 83 and 91-118</a>
III.D.5-17	<a href="#">Internal Audit Plan FY 2008-2009</a>
III.D.5-18	<a href="#">Internal Audit Plan FY 2009-2010</a>
III.D.5-19	<a href="#">Internal Audit Plan FY 2010-2011</a>
III.D.5-20	<a href="#">Internal Audit Plan FY 2011-2012</a>
III.D.5-21	<a href="#">Internal Audit Plan FY 2012-2013</a>
III.D.5-22	<a href="#">Internal Audit Plan FY 2013-14, 9/11/2013</a>
III.D.5-23	<a href="#">Internal Audit Plan FY 2014-15, 9/17/2014</a>
III.D.5-24	<a href="#">Internal Audit Plan FY 2015-16, 4/15/2015</a>
III.D.5-25	<a href="#">Risk Assessment – 8/27/2014</a>
III.D.5-26	<a href="#">LAMC Monthly Financial Projection</a>
III.D.5-27	<a href="#">LAMC Quarterly Financial Reports</a>
III.D.5-28	<a href="#">Budget and Planning Website</a>
III.D.5-29	<a href="#">LAMC Business Office Processes Manual</a>
III.D.5-30	<a href="#">LAMC Cash Control Corrective Action Plan</a>
III.D.5-31	<a href="#">LACCD Audited Basic Financial Statements</a>

### III.D. 6

**Financial documents, including the budget, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.**

#### **Evidence of Meeting the Standard:**

- Financial documents have a high degree of credibility and accuracy:
  - The Vice President of Administrative Services reviews all monthly projections before submitting them to the District chief financial officer/treasurer (III.D.6-1).
  - BPC regularly reviews the monthly financial projections at its meetings (III.D.6-2).

- The College ensures adequate budget for instruction. Instructional supplies and equipment budgets have remained intact since 2013. Furthermore, a few departments have received ongoing non-salary funding since 2014 (III.D.6-3),(III.D.6-4).
- Internal control systems are regularly evaluated and assessed through both internal and external audits. The District’s Internal Audit Department regularly reviews internal control systems and upholds all compliance criteria with federal and state mandates. An external independent audit, conducted annually, includes an assessment of the financial report, internal control systems, and compliance with federal and state programs (III.D.6-5).

**Analysis and Evaluation:**

The College reports its projected financial status to BPC on a monthly basis. The College holds instruction as its primary focus; in fact, instructional supplies and equipment budgets have remained intact since 2013. The College honors each unit’s prioritization of resource requests, recognizing that departments and divisions have the best information regarding their needs.

Los Angeles Mission College meets this standard.

**LIST OF EVIDENCE**

- III.D.6-1 [LAMC Monthly Financial Projections](#)
- III.D.6-2 [Minutes from PBC Meetings Regarding Review of Monthly Projections](#)
- III.D.6-3 [Budget for Instructional Supplies and Equipment 2009 through 2015](#)
- III.D.6-4 [List of Funded Resource Requests for FY 2013-2014](#)
- III.D.6-5 LACCD 2015 Internal Audit Report (See [III.D.5-22](#), [III.D.5-23](#) and [III.D.5-24](#))

**III.D.7**

**Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.**

**Evidence of Meeting the Standard:**

- At the end of each fiscal year, LACCD undergoes a District-wide independent external audit which is presented to the Board of Trustees and publically posted (III.D.7-1).
- In response to the District’s audit findings, the College prepares, whenever warranted, a corrective action plan (III.D.7-2).
- The District’s Internal Audit Department (IAD) conducts periodic internal audits at the College. These internal audits are focused on specific programs, areas, and/or departments. At the conclusion of IAD audits, the College receives a written report; based on the findings, the College may be required to develop a Corrective Action Plan (CAP) (III.D.7-3).
- Senior administration reviews the CAP and disseminates the information to the appropriate departments and committees for corrective action (III.D.7-4).

**Analysis and Evaluation:**

The College widely disseminates information on external audits and responds to its findings by making necessary changes to the financial plan, budget, and current and predicted budget conditions. In addition, periodic dissemination of information occurs during meetings with the academic department managers and administrative services.

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Los Angeles Mission College meets this standard.

### LIST OF EVIDENCE

- III.D.7-1 [External Audit](#)  
III.D.7-2 [Corrective Action Plan](#)  
III.D.7-3 LACCD 2015 Internal Audit Report (See [III.D.5-22](#), [III.D.5-23](#) and [III.D.5-24](#))  
III.D.7-4 See [III.D.7-1](#)

### III.D. 8

**The institution's financial and internal control systems are evaluated and assessed for validity and effectiveness, and the results of this assessment are used for improvement.**

#### **Evidence of Meeting the Standard:**

#### **LACCD:**

The District evaluates its financial and internal control systems on a continuous cycle to ensure validity and effectiveness. Results from internal and external audits are used for improvement. When any deficiencies or material weaknesses are identified the District promptly implements corrective action plans to resolve the deficiency. Where deficiencies are the result of issues with internal controls, policies, or procedures, remedial steps are taken before the next audit cycle.

- a. The District's financial and internal control systems are evaluated and assessed annually by external auditors and internally on an ongoing basis and reported quarterly by the Chief Financial Officer (CFO)/Treasurer. The District has had unqualified financial statements and unmodified audit reports for over 30 years (see Standard III.D.5). For the fiscal year ending June 30, 2014, the District did not have any material weaknesses identified in any of its external audits (see Standard III.D.5) (III.D.8-1).
- b. Material weaknesses were identified in the District's external financial audits ending June 30, 2008 through 2012. In response, the District significantly improved its internal controls and implemented corrective actions. The District's corrective actions resulted in the identification of less severe and fewer weaknesses during this same period. The June 30, 2011 audit found the District had one material weakness and four significant deficiencies (see Standard III.D.5). By June 30, 2014, the District had no material weaknesses and one significant deficiency (see Standard III.D.5). It is worth noting that the single deficiency identified in both 2013 and 2014 was not related to internal financial controls (see Standard III.D.5) (III.D.8-2).
- c. Information from external District audits is provided to the Budget Finance Committee (BFC), District Budget Committee (DBC), Executive Committee of the District Budget Committee (ECDBC), Board of Trustees and the CFO, and is used to evaluate and improve the District's financial management and internal control systems (III.D.8-3), (III.D.8-4).
- d. All audit reports are reviewed and progress towards implementation of corrective action plans for all audit findings are tracked by the Office of the CFO on an ongoing basis. External auditors review progress of corrective actions annually (see Standard III.D.5) (III.D.8-5).
- e. The District has annual external audits for its Bond Program. Bond expenditures have been consistent with regulatory and legal restrictions since the Program's inception. The Bond Program has never received a qualified or modified audit (III.D.8-6 through III.D.8-9).

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- f. Material weaknesses were identified in the Bond Program’s financial audits ending June 30, 2008, 2009, 2010, and 2012. In response, the District implemented corrective actions and strengthened internal controls, and no material weaknesses were subsequently identified in Bond Program financial audits for 2013 and 2014 (III.D.8-10),(III.D.8-11).
  - g. Financial and performance audits for the Bond Program are reviewed and approved by the Board of Trustees, the Board’s FMPOC, and the District Citizens’ Oversight Committee (DCOC). These committees also oversee and approve corrective actions to improve internal controls as needed (III.D.8-12a and b),(III.D.8-13),(III.D.8-14).
  - h. The Board recently amended BR 17300, which authorizes the Director of the Internal Audit unit, as the Bond Program Monitor, to ensure the Bond Program is performing with the utmost integrity (III.D.8-15).
  - i. The District’s Internal Audit unit regularly reviews all business and finance systems to ensure compliance with relevant policies, procedures, laws, and statutory regulations. During the FY 2014-15, this unit conducted procurement audits for all nine colleges and the ESC. In response to findings, the District undertook a series of procurement trainings, which were mandatory for college and ESC staff (III.D.8-16),(III.D.8-17).
  - j. In 2003, the District implemented the Systems, Applications and Products (SAP) financial software system, as a result of the District’s evaluation of its financial and internal control systems. Initially, SAP integrated and automated accounting and financial transactions. In 2005 the system was expanded to include personnel and payroll functions. The resulting integrated system allows real-time tracking, approval and posting of all expenditures, and strengthens the District’s financial and internal control systems (III.D.8-18 through III.D.8-22).
  - k. In FY 2011, the District updated and reissued its accounting manual, which was designed to “...assist campus personnel with the preparation and management of documents, requests, and procedures that are handled in the Accounting and Business Office.” The manual is disseminated and used district-wide and has resulted in better internal controls along with a reduction in transaction processing time (III.D.8-23).

**LAMC:**

- The District and College regularly evaluate financial management practices. The District employs financial analysts, internal auditors, and strong supervisory staff in the Business Services Office who assess fiscal activities (III.D.8-24).
- As previously mentioned in III.D.7, internal control systems are evaluated annually by both external and internal audits (See III.D.8-7).
- Annual Program Reviews of financial control systems unveil any needed improvements.
- The CFA and the Vice President of Administrative Services rely on communication with the Business Office staff and reports such as the monthly cash count to assess the validity of the financial control systems (III.D.8-25).

**Analysis and Evaluation:**

**LACCD:**

The District regularly evaluates its financial and internal control systems and assesses them for validity. The District substantially improved its internal controls in response to the ACCJC visiting team’s recommendation that “...the resolution of the material weakness and

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*significant deficiencies cited in the 2010 financial audit be fully effected by the completion of next year’s audit and appropriate systems be implemented and maintained to prevent future audit exceptions...” (III.D.8-26).*

By February 2014, the ACCJC stated that “the LACCD has provided evidence that it has addressed District Recommendations 1 and 2 and...resolved the material weaknesses and significant deficiencies cited in the 2010 financial audit. Appropriate systems have been implemented to prevent future audit exceptions.” The District continues to use the results of its assessment for improvement by implementing corrective actions for any findings or deficiencies noted in external audits, program audits, and grant funding sources. District policies and procedures are routinely reviewed and revised. The District meets this Standard (III.D.8-27).

**LAMC:**

The institution regularly evaluates its financial management practices and uses the results to improve internal control structures. Through evaluation and gradual improvement, the formulaic approach to the District’s budget process provides an effective financial management tool for fiscal stability.

Regular Program Reviews\* evaluate the efficacy of systems and identify needed improvements. In addition, Specially Funded Programs undergo annual external audits to determine compliance with regulations.

Los Angeles Mission College meets this standard.

**LIST OF EVIDENCE**

- III.D.8-1 [LACCD 2015 Annual Audit Report](#)
- III.D.8-2 [LACCD 2014 Annual Audit Report](#)
- III.D.8-3 [BOT Agenda on Audit – 12/3/2014](#)
- III.D.8-4 [BFC Minutes on Audit – 12/3/2014](#)
- III.D.8-5 See [III.D.8-1](#)
- III.D.8-6 [LACCD Bond Financial Audit, 6/30/09](#)
- III.D.8-7 [LACCD Bond Financial Audit, 6/30/10](#)
- III.D.8-8 [LACCD Bond Financial Audit, 6/30/11](#)
- III.D.8-9 [LACCD Bond Financial Audit, 6/30/12](#)
- III.D.8-10 [LACCD Bond Financial Audit, 6/30/13](#)
- III.D.8-11 [LACCD Bond Financial Audit, 6/30/14](#)
- III.D.8-12a See [III.D.8-3](#)
- III.D.8-12b [FMPOC Agenda – 11/19/2014](#)
- III.D.8-13 [DCOC Agenda – 1/30/2015](#)
- III.D.8-14 [DCOC Agenda – 3/13/2015](#)
- III.D.8-15 [BOT Agenda – 6/24/2015](#)
- III.D.8-16 [DBC Procurement Audits Summary Report – 6/10/2015](#)
- III.D.8-17 [Procurement Training – 6/25/2015](#)

- III.D.8-18 [SAP Business Warehouse Finance Screenshot](#)
- III.D.8-19 [SAP Business Warehouse HR Screenshot](#)
- III.D.8-20 [SAP Business Warehouse Instructional Screenshot](#)
- III.D.8-21 [SAP Business Warehouse Procurement Screenshot](#)
- III.D.8-22 [SAP Business Warehouse Time Screenshot](#)
- III.D.8-23 [Business Office & Accounting Policies and Procedures Manual – 2/21/2012](#)
- III.D.8-24 LACCD 2015 Internal Audit and External Audit Report (See [III.D.3-5](#) and [III.D.6-5](#))
- III.D.8-25 [LAMC Monthly Cash Counts – July through September 2015](#)
- III.D.8-26 [ACCJC Letter to District – 7/3/2013](#)
- III.D.8-27 [ACCJC Letter – 2/7/2014](#)

**III.D. 9**

**The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.**

**Evidence of Meeting the Standard:**

**LACCD:**

Between FY 2008-09 and 2012-13, the District experienced more than \$100 million in funding cuts. The District made significant reductions in class offerings, changed employee health benefits plans, and instituted stringent spending controls. Through these actions, and by maintaining healthy reserves, the District was able to weather the recession without furloughing or laying off permanent employees. The District reviews cash flow on a regular schedule and has maintained a sufficient cash flow, and healthy reserves which range from 13% to 17%.

***Cash Flow***

The District has a strong financial position. The Board reviews and adopts the District’s Final Budget every September (III.D.9-1),(III.D.9-2),(III.D.9-3).

a.

	<b>2015-2016 Budget</b>	<b>2014-2015 Budget</b>
Total Budget	\$2.87 billion	\$2.96 billion
Prop A, AA & Measure J Bonds in the building fund	\$1.61 billion	\$1.87 billion
General Fund	\$929.58 million	\$751.52 million
Unrestricted General Fund	\$748.18 million	\$618.61 million

	<b>June 30, 2014</b>	<b>June 30, 2013*</b>
Net position	\$743.6 million	\$700.4 million
Unrestricted net position	\$34.7 million	\$19.6 million
Restricted net position	\$295.5 million	\$238 million
Current and other assets (not capital)	\$906 million	\$1.2 billion

\*Balances presented as restated due to implementation of GASB Statement No. 65 (III.D.9-4).

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- b. In December 2014, the District's bond rating was upgraded by Standard and Poor's from AA to AA+ (III.D.9-5).
  - c. Strong fiscal controls, coupled with an improved state economy, have left the District in a healthy financial condition. The District's financial position and its planning activities to maintain financial stability for the past six years are described in the Executive Summary and Overview sections in the District's Final Budgets (III.D.9-6 through III.D.9-12).
  - d. The District issued \$80 million in Tax Revenue Anticipation (TRANS) notes in 2012-2013 to provide operating cash for working capital expenditures prior to receipt of anticipated tax payments and other revenue. At the end of June 2013, \$80 million in principal and \$1.275 million in interest was due the next year. As of June 30, 2014, the TRANS debt was paid in entirety. Prior to this, the District had not issued any TRANS debt since 2004. Current cash flow projections do not indicate the District will need to issue any TRANS debt in the near future (III.D.9-13).

### **Reserves**

- e. District reserve levels have increased in recent years. Each year, the District Budget Committee and the Board review reserve levels as part of the planning process to ensure financial stability for the District. Prior to 2012, the District maintained "...a District Contingency Reserve of 5% of total unrestricted general fund revenue at the centralized account level, and 1% of college revenue base allocation at the college level" (III.D.9-14).
- f. In FY 2012-2013, the District had increased reserves to: "...District General Reserve of 5% and a Contingency Reserve of 7.5% of total unrestricted general fund revenue at the centralized account level, and 1% of college revenue base allocation at the college level" (III.D.9-15).
- g. In the same year, the Board committed to increasing the deferred maintenance reserve fund from 1.5% of its annual budget to 2% (III.D.9-16).
- h. Since FY 2013-2014, the District has maintained "...a District General Reserve of six and a half percent (6.5%) and a Contingency Reserve of three and a half percent (3.5%) of total unrestricted general fund revenue at the centralized account level, and 1% of college revenue base allocation at the college level." (III.D.9-17),(III.D.9-18),(III.D.9-19).
- i. For 2015-2016, the District's General Reserve is \$41.48 million and represents 6.5 percent of the Unrestricted General Fund revenue budget. The District's Contingency Reserve is \$23.42 million and represents 3.5 percent of the Unrestricted General Fund revenue budget (III.D.9-20).
- j. The District Contingency Reserve is used to "...meet emergency situations or budget adjustments due to any revenue projection shortfalls during the fiscal year." Use of reserves must be approved by a super-majority of the Board in accordance with Title 5, Section 58307 (III.D.9-21 through III.D.9-24).

### **Risk Management**

- k. Adequate property and liability insurance protects the District from unexpected costs due to property loss or legal action. The District has property and liability insurance, per occurrence, up to \$600 million and \$40 million respectively. The District's "All Risk" property deductible is \$25,000 per occurrence, and liability self-insurance retention is \$1.5M per occurrence. Trustees are covered by the District's liability insurance (III.D.9-25).

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- l. The District is self-insured for up to \$750,000 for each workers' compensation claim, \$1 million per employment practices claim, and \$1.5 million for each general liability claim. The District maintains workers compensation insurance coverage through USI, with an excess workers compensation policy underwritten by Safety National (III.D.9-26).
  - m. For the year ending June 30, 2014, the District made total premium payments of approximately \$2.9 million for general liability and property claims (III.D.9-13).
  - n. The Board adopted a policy on liability claims (Board Rule 7313) which requires that *“all claims against the District for damages or injuries be reported to the Board of Trustees and administered by either the Office of General Counsel, the Senior Associate Vice Chancellor for Human Resources or the Director of Business Services, or their designees, as directed by the Chancellor.”* (III.D.9-27).
  - o. A report of pending litigation is made monthly to the Board of Trustees and potential settlement funds are set aside. Any settlements approved by the Board of Trustees are then communicated in writing by General Counsel or Risk Management to the CFO's Office to formally allocate those funds (III.D.9-28).

**Analysis and Evaluation:**

**LACCD:**

The District has fully demonstrated its ability to maintain adequate reserves and continues to raise targeted levels to address future unforeseen needs. There has only been one instance of issuing TRANS debt within the last decade, and the District does not anticipate doing so again in the foreseeable future. The District meets this Standard.

**LAMC:**

Consistent with their core value of fiscal stability, the District and College maintain sufficient cash flow and reserves, maintained in a self-insurance fund, to meet all current and reasonably anticipated future obligations, including possible risk losses. Cash flows are projected, and in the past, TRANS have been used to ensure sufficient cash is available to sustain operations during periods when revenues are delayed. In recent years, however, the District has maintained sufficient cash flow and reserves to remain stable when the state implemented deferrals without the use of TRANS.

Los Angeles Mission College meets this standard.

**LIST OF EVIDENCE**

III.D.9-1	<a href="#">Final Budget 2015-2016 PowerPoint – 9/2/2015</a>
III.D.9-2	<a href="#">Final Budget 2015-2016, 9/2/2015</a> , Cover Letter, page i
III.D.9-3	<a href="#">Final Budget 2014-2015, 9/3/2014</a> , Cover Letter, page i
III.D.9-4	<a href="#">LACCD Financial Audit – 6/30/2014</a> , page 6
III.D.9-5	<a href="#">LACCD Press Release on Bond Rating</a> – 12/1/2014
III.D.9-6	<a href="#">Final Budget 2009-2010</a> , pages i and 1
III.D.9-7	<a href="#">Final Budget 2010-2011</a> , pages i and 1
III.D.9-8	<a href="#">Final Budget 2011-2012</a> , pages i and 1
III.D.9-9	<a href="#">Final Budget 2012-2013</a> , pages i and 1

- III.D.9-10 [Final Budget 2013-2014](#), pages i and 1
- III.D.9-11 [Final Budget 2014-2015](#), pages i and 1
- III.D.9-12 [Final Budget 2015-2016, 9/2/2015](#), pages i and 1-9
- III.D.9-13 [LACCD Financial Audit – 6/30/2014](#), page 46
- III.D.9-14 [Final Budget 2011-2012, Appendix F, 8/5/2011](#), page 3
- III.D.9-15 [Final Budget 2012-2013, Appendix F, 8/6/2012](#), page 4
- III.D.9-16 [Board Agenda, BT2 – 5/23/2012](#)
- III.D.9-17 [Final Budget 2013-2014, Appendix F, 8/21/2013](#), page 4
- III.D.9-18 [Final Budget 2014-2015, Appendix F, 9/3/2014](#), page 4
- III.D.9-19 [Final Budget 2015-2016, Appendix F, 9/2/2015](#), page 3
- III.D.9-20 [Final Budget 2015-2016, 9/2/2015](#), page 8
- III.D.9-21 [Title 5, Section 58307](#)
- III.D.9-22 [BOT Agenda – 4/11/2012](#)
- III.D.9-23 [BOT Agenda – 7/10/2013](#)
- III.D.9-24 [BOT Agenda – 7/9/2014](#)
- III.D.9-25 [LACCD Certificate of Liability – 6/26/2015](#)
- III.D.9-26 [LACCD Financial Audit – 6/30/2014](#), page 45
- III.D.9-27 [Board Rule 7313, updated 10/1/2008](#)
- III.D.9-28 [Board Letter – 6/24/2015](#)

### III.D.10

**The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.**

#### **Evidence of Meeting the Standard:**

#### **LACCD:**

The District practices effective oversight and management of all financial resources. It also continually evaluates and, where needed, improves its oversight of financial aid, grants, externally funded programs, contracts, foundations, auxiliary organizations and institutional investments and assets. The District has both centralized and decentralized practices to ensure effective oversight.

#### ***Centralized District Oversight***

- a. **Purchasing:** The District’s Contracts and Purchasing department procures goods and services not purchased directly by colleges. All contracts are reviewed to ensure they are in the District’s best interest in accordance with Board Rule 7100, as well as District policies and procedures related to procurement (III.D.10-1),(III.D.10-2),(III.D.10-3).
- b. **Institutional Investments and Assets:** The District provides oversight in compliance with Board rules, District asset management policies and procedures, regulations, and any all contractual and funding requirements (III.D.10-4),(III.D.10-5).
- c. **Budget Oversight:** In accordance with Board Rule 7600, the Budget and Management Analysis Unit develops internal budget operational plans and provides guidance to colleges

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- during the budget development process. The District budget calendar is updated and approved by the Board annually, and budget procedures are revised regularly to comply with federal, state, and local laws. The Unit designates a financial liaison for each fund and program at the colleges to safeguard against overspending (III.D.10-6 through (III.D.10-9).
- d. **Financial Aid:** The Central Financial Aid Unit coordinates the work of college Financial Aid offices and ensures college and District operations are legally compliant. The Unit implements standardized policies and procedures throughout the District; reconciles student loan programs, and provides guidance to college administrators and Financial Aid managers (III.D.10-10).
  - e. **Specialized Employees:** The District has specialized employees who manage categorical, grants, and externally funded programs. Employees in the Specially Funded Program (SFP) classification establish operational policies and procedures for externally funded programs, and ensure compliance with all applicable rules and regulations (III.D.10-11).
  - f. All grant and externally funded programs also have a dedicated SFP (Specially Funded Program) accountant assigned to fiscal monitoring and oversight (III.D.10-12).
  - g. **Audits:** Annual external audits are performed on all special or external funds, including Other Post-Employment Benefits (OPEB) funds, categorical program funding, and capital bond programs (see Standard III.D.5). All special funds are regularly audited and demonstrate the integrity of financial management practices. Expenditures from special funds are made in a manner consistent with the intent and requirements of the funding source (III.D.10-13).
  - h. **Auxiliary Organizations:** The District Foundation is the sole auxiliary organization for which the District is directly responsible. In March 2015, the Chancellor created a Senior Director of Foundation position for the District. This position is tasked with strengthening and standardizing foundation operations, procedures and policies; improving compliance with nonprofit regulations; strengthening District and college foundation's infrastructure, and coordinating District-wide advancement efforts (III.D.10-14),(III.D.10-15),(III.D.10-16).

### *Decentralized District Oversight*

- i. **Fiscal and Enrollment Management:** District fiscal and attendance accounting staff meet with college senior staff on a quarterly basis to review FTES (enrollment) and college fiscal projections, providing a framework for sound college enrollment and financial practices (III.D.10-17),(III.D.10-18).
- j. **Auxiliary Organizations:** All college foundations have operating agreements with the District. Foundations are required to provide regular financial reports, reimburse the District for services, and operate in accordance with state law and District and nonprofit regulations (III.D.10-19).
- k. College foundations receive annual external audits as required by law. Any identified deficiencies result in a Corrective Action Plan, which is implemented in a timely fashion. In addition, all LACCD foundations received internal audits in 2013-14, which will continue on a recurring basis. Internal auditors highlighted findings common to all foundations, and recommended corrective actions, which are scheduled to be completed by fall 2015 (III.D.10-20),(III.D.10-21).
- l. **Student ASO Funds:** Finances for Associated Student Organizations (ASOs) are governed by Board Rules 9200–9300 and Administrative Regulations S-1 to S-7. College Presidents review and approve all proposed ASO expenditures. Beginning in 2014-15, a

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schedule of internal audits for college ASOs was established by the Internal Audit unit. As the internal audits are completed, outcomes will be completed and reported to the BFC (III.D.10-22 through (III.D.10-25).

**LAMC:**

- Bank statements are reconciled by College and District staff.
- Both the College and the District have policies, procedures and practices to manage financial aid (III.D.10-26),(III.D.10-27).
- The College and the District have staff dedicated to the oversight and reporting of categorical grants and specially funded programs. Contractual relationships are managed through College oversight and District Contract and Legal Departments (III.D.10-28).
- The College and the LAMC Foundation oversee Foundation practices and finances. The District provides additional oversight for the Foundation (III.D.10-29), (III.D.10-30), (III.D.10-31).
- The chief financial administrator and Vice President of Administrative Services review the status of all funds on a quarterly basis and report any concerns to the area Vice President. Previous internal audits revealed some weaknesses in the Foundation and in the area of cash control and purchasing; all issues have been addressed (III.D.10-32).
- College financial aid processes are effective and have had no external audit findings since 2011 (III.D.10-33).

**Analysis and Evaluation:**

**LACCD:**

The District has a long history of compliance and sound financial management and oversight practices. Both colleges and the Educational Services Center (ESC) identify and correct deficiencies in internal controls and financial management practices when they are identified. Improved communication and coordination between District staff and the nine colleges will help ensure improved fiscal responsibility and compliance with all rules and regulations. The District meets this Standard.

**LAMC:**

Organizationally, the District plays a major role in the financial administration of the College, providing expertise and independent oversight in the areas of accounting, budgeting, risk management, payroll, purchasing, and grants and contracts functions (LACCD District Organization Chart).

The District allocates resources using a formula-driven approach that ensures an efficient and equitable distribution while maintaining a balanced budget for prudent fiscal management. In addition, the SAP financial system provides tools and reports that facilitate effective control over finances. The College Business Office uses the system to monitor budget availability for requests before they are sent to the District, detecting and correcting exceptions at the College level.

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In addition to budget controls, employees responsible for the oversight of categorical programs or grants are required to certify on requisition forms that all purchases comply with specific program requirements. All long-term financial and contractual commitments must be reviewed and authorized by the District before approval or recommendation to the Governing Board. The Authorized Signer List specifically identifies positions authorized to sign various documents.

The Citizens' Bond Oversight Committee oversees the spending of general obligation bonds in compliance with Proposition 39. Bond funds undergo an annual performance audit by an independent auditor. Revenue collections are subject to identified internal control procedures as well. The District's internal auditors review all internal controls of receipts, expenditures, and data security.

Finally, the District and colleges hold a monthly CFA and Vice Presidents of Administrative Services meeting to evaluate and resolve system problems. The issues discussed by these groups encompass general financial operating controls and technology. These forums have proven to be particularly effective in identifying areas of weaknesses and initiating improvements.

#### **ACTIONABLE IMPROVEMENT PLAN**

A quarterly report of all funds to the executive team will make College finances more transparent.

Los Angeles Mission College meets this standard.

#### **LIST OF EVIDENCE**

III.D.10-1	<a href="#">Board Rule 7100</a>
III.D.10-2	<a href="#">Board Agenda – 6/10/2015</a>
III.D.10-3	<a href="#">Business Operations Policy and Procedures, PP-04-00, PP-04-01, PP-04-07, PP-04-08, PP-04-09</a>
III.D.10-4	<a href="#">LACCD Financial Audit – 6/30/2014</a> , pages 25-26
III.D.10-5	<a href="#">LACCD Asset Management Policies and Procedures – 4/3/2009</a>
III.D.10-6	<a href="#">Board Rule 7600</a>
III.D.10-7	<a href="#">District Budget Operational Plan Instructions 2015-2016</a>
III.D.10-8	<a href="#">District Budget Calendar 2015-2016, 6/26/2015</a>
III.D.10-9	<a href="#">College Financial Liaison Contact List 2015-2016</a>
III.D.10-10	<a href="#">Financial Aid Procedures Manual</a>
III.D.10-11	<a href="#">SFP Classifications</a>
III.D.10-12	<a href="#">SFP Accountant List – 6/2015</a>
III.D.10-13	<a href="#">LACCD Annual Audit – 6/30/2014</a> , pages 73-81, 86-90
III.D.10-14	<a href="#">Senior Director of Foundation Job Description – 3/24/2015</a>
III.D.10-15	<a href="#">LACCD Foundation Summit – 4/17/2015</a>
III.D.10-16	<a href="#">Presidents' Council Agenda – 6/5/2015</a>
III.D.10-17	<a href="#">Budget Expenditure Projections, 2nd Quarter 2008-2009</a>
III.D.10-18	<a href="#">ELAC2Q Recap Packet – 3/12/2015</a>
III.D.10-19	<a href="#">LACC Foundation Contract – 6/2015</a>

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III.D.10-20	<a href="#">Foundation Internal Audit Summary – 4/23/2014</a>
III.D.10-21	<a href="#">Foundation Corrective Action Plans – 9/17/2014</a>
III.D.10-22	<a href="#">Board Rule 9200-9300</a>
III.D.10-23	<a href="#">Admin Regulations S-1 to S-7</a>
III.D.10-24	<a href="#">Internal Audit Plan 2014-2015</a>
III.D.10-25	<a href="#">Budget &amp; Finance Committee Documents – 4/15/2015 ASO Audits</a>
III.D.10-26	<a href="#">LACCD Regulations: Financial Assistance to Students</a>
III.D.10-27	<a href="#">LACCD District Governance and Functions Handbook 2013</a>
III.D.10-28	<a href="#">LACCD Procurement Training 2015 Presented by ESC Contracts and Purchasing Unit/Office of General Counsel/College Procurement Specialists</a>
III.D.10-29	<a href="#">LAMC Foundation Members List</a>
III.D.10-30	<a href="#">LACCD Board Rules Auxiliary Organizations</a>
III.D.10-31	<a href="#">LACCD Administrative Regulations</a>
III.D.10-32	<a href="#">LACCD BoT/Budget &amp; Finance Committee Minutes</a>
III.D.10-33	<a href="#">LACCD Report on the Audited Basic Financial Statements</a>

## **Liabilities**

### **III.D.11**

**The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.**

#### **Evidence of Meeting the Standard:**

##### **LACCD:**

The District has a well-coordinated and integrated budget planning system that takes into consideration both short-term and long-term financial issues. The District creates comprehensive income and cost projections on a regular basis that are used for budget planning, resulting in a long-standing culture of fiscal responsibility and solvency.

- a. The District maintains financial solvency by ensuring that all obligations are identified with accurate valuations. The District systemically identifies and evaluates its obligations on an annual basis. When needed, third party actuaries are engaged to establish the amounts of obligations (III.D.11-1).
- b. The District has maintained a history of positive net position. As of June 30, 2015, the District's total net position was \$743.6 million, an increase of \$43.1 million over June 30, 2013 (see Standard III.D.9) (III.D.11-2).
- c. As of June 30, 2014, the District's working capital (current assets minus current liability) was \$132.9 million, with a cash and cash equivalent balance of \$138.6 million. The District's non-current assets are greater than non-current liabilities. The balance is sufficient to cover all obligations payable by the District including compensated absences, general liability workers' compensation, and other post-retirement employee benefits (III.D.11-3).

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- d. The District uses its existing governance structure to exchange information and seek recommendations from the Board's Budget and Finance Committee in order to ensure budget priorities align with the District's Strategic Plan's goals, Board of Trustees' goals, and the Chancellor's recommendations (III.D.11-3).
  - e. The BFC reviews the five-year forecast of revenues, expenditures and fund balances to inform the District's next fiscal year's budget (III.D.11-4).
  - f. Similarly, the DBC, the Chancellor's Cabinet, and the Chancellor make budget recommendations to the Board Budget and Finance Committee (BFC), prior to adoption of the final budget (III.D.11-5).
  - g. The District's budget planning priorities are informed by the Chancellor's proposed recommendations, the funding of the District's reserve policy, the alignment with the goals of the District's Strategic Plan for restoring access and improving student success and equity, and securing the short-term and long-term financial strength of the District (III.D.11-6).
  - h. The District's Final 2015-2016 Budget priorities address long-range financial obligations such as meeting the Full-time Faculty Obligation, addressing increases in CalSTRS and CalPERS contributions, expansion of basic skills program delivery, covering salary increases, and ensuring funding is adequately provided for facilities, maintenance, instructional support, and other operation needs (III.D.11-7).
  - i. In June 2015, the Chancellor recommended that the Board Finance Committee (BFC) approve \$3.9 million for the completion and roll-out of the District's Student Information System (SIS), an essential electronic system that delivers student services and supports teaching and learning and \$2.5 million in critical facility infrastructure repair and maintenance at the ESC in the 2015-2016 budget. This \$6.5 million investment is in line with District's Strategic Plan and Board goals which support student success. The Board's subsequent approval involved consideration for the District's long-range financial priorities while balancing short- and long-term operational needs (III.D.11-8).

**LAMC:**

- Long-term liabilities such as debt repayment, retiree health benefits obligations, and insurance costs are managed at the District level (III.D.11-9).
- Based on the funding and spending projections generated by the District finance staff, the College clearly identifies, plans, and allocates resources for payment of liabilities. The College continues to carefully control unfunded Full-Time Equivalent Students (FTES) and reduces variable labor costs, controls expenditures for supplies and equipment, and minimizes losses incurred in restricted programs
- The District advises the colleges on their obligations to hire full-time faculty to fulfill the Faculty Obligation Number (FON).

**Analysis and Evaluation:**

**LACCD:**

The District adheres to well-considered reserve and fiscal management policies, which are congruent with the District's Strategic Plan, and ensure financial solvency in the short- and long-term. The proposed 2015-16 budget reflects a \$65.43 million projected ending balance. The District meets this Standard.

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### **LAMC:**

The College's short-range financial decisions are well integrated with long-term financial plans in the areas of facilities and infrastructure development, instructional technology investments, enrollment management, and hiring decisions. BPC reviews and prioritizes routine budget augmentations based on the Strategic Master Plan and subsequently makes recommendations to the College Council for approval.

The College enjoys a strong financial position and is able to meet its short- and long-term obligations. The District's non-current assets are greater than non-current liabilities by \$158.8 million. The balance is sufficient to cover all obligations payable by the District such as compensated absences, general liability workers' compensation, and other post-retirement employee benefits (III.D.11-10).

Los Angeles Mission College meets this standard.

#### **LIST OF EVIDENCE**

- III.D.11-1 [LACCD Financial Audit – 6/30/2015](#), pages 34-35
- III.D.11-2 [LACCD Financial Audit – 6/30/2014](#), pages 17-18
- III.D.11-3 [Final Budget 2015-2016, 9/2/2015](#), pages 1-10
- III.D.11-4 [Long Range Forecast, BFC – 3/11/2015](#)
- III.D.11-5 [DBC Minutes – 4/22/2015](#)
- III.D.11-6 [Final Budget 2015-2016 PowerPoint, 9/2/2015](#)
- III.D.11-7 [Final Budget 2015-2016 PowerPoint, 9/2/2015](#), page 8
- III.D.11-8 [Deferred Maintenance Unfunded Projects 2014-2015, Attachment II & III, BFC, 6/10/2015](#)
- III.D.11-9 [LACCD OPEB Funding Progress](#)
- III.D.11-10 [Unrestricted Gen Funds-10-year Trend](#)

### **III.D.12**

**The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine OPEB is current and prepared as required by appropriate accounting standards.**

#### **Evidence of Meeting the Standard:**

### **LACCD:**

The District takes appropriate and timely action in planning and allocating payment of liabilities and future obligations. It continuously monitors for potential increases in OPEB and other employee-related obligations and takes action accordingly.

- a. District Budget and Planning Committee policies include funding of contingency reserves (3.5%), general reserves (6.5%), and a deferred maintenance reserve (1.5%). There are also special reserve set-asides for future obligations; a set aside for 2015-2016 salary increases as well as STRS and PERS contribution increases, and a set-aside for new faculty hires to meet FON obligations (see Standard III.D.11) (III.D.12-10).

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- b. The District carefully calculates payment of its short and long-term liabilities. As of June 30, 2014, the District's total long-term liabilities were \$3.8 billion. The majority of this amount was general obligation (G.O.) bonds, but it also included workers' compensation claims, general liability, compensated absences, and capital lease obligations (III.D.12-11).
  - c. The District calculates debt service requirements based on maturity for its three general obligation bonds. The District has issued various G.O. bonds from the authorization of its three bonds. Each bond issuance has its own debt service payment schedule and is paid and serviced by the County of Los Angeles (III.D.12-2).
  - d. The District regularly reviews and analyzes the impact of OPEB, retirement rate increases, and affordable health care reforms. In July 2013, Aon Hewitt provided the District with an Actuarial Valuation Report for its post-retirement health benefits (III.D.12-3).
  - e. In February 2015, the BFC reviewed budget impacts of assumed rate increases over the next seven years for CalSTRS and CalPERS, including annual required contributions based on these assumptions, and reviewed an analysis of the Affordable Health Care program (Cadillac Tax) and its impact on CalPERS health premiums (III.D.12-4).
  - f. In every year to date, the District's employer contributions to CalSTRS, CalPERS, Cash Balance, and PARS-ARS met the required contribution rate established by law (III.D.12-5).
  - g. The District has taken significant steps to address the issue of its unfunded liability for retiree healthcare. An agreement, approved by the District's six unions and the Board of Trustees, was negotiated to begin pre-funding a portion of unfunded obligations. In 2008, the Board adopted a resolution to establish an irrevocable trust with CalPERS to pre-fund a portion of plan costs. The District funds the trust at a rate of approximately 1.92% of the total full-time salary expenditures of the District. An amount equivalent to the federal Medicare Part D subsidy returned to the District each year will also be directed into the trust fund (III.D.12-6).
  - h. As of March 31, 2015, the District had set aside approximately \$57.3 million in an external trust fund and its fair market value for this same period was approximately \$77.5 million. In June 2015, the BFC approved the Chancellor's recommendation to increase the District's OPEB contribution as part of its 2015-16 budget (see III.D.11) (III.D.12-7).
  - i. The District has allocated appropriate resources for the payment of workers' compensation. The District is self-insured for up to a maximum of \$750,000 for each workers' compensation claim and \$1 million per employment practices claim (see Standard III.D.9) (III.D.12-12).
  - j. The balance of all outstanding workers' compensation is estimated based on information provided by an outside actuarial study performed in 2014. The amount of the outstanding liability as of June 30, 2014 includes estimates of future claim payments for known causes as well as provisions for incurred, but not yet reported, claims and adverse development on known cases which occurred through that date (see Standard III.D.9).
  - k. Because the process used in computing claims liability does not necessarily result in an exact amount, liabilities for incurred losses to be settled over a long period of time are reported at their present value using an expected future investment yield assumption of 1.5%. The current portion (due within one fiscal year) of the District's current workers' compensation liability is \$5 million (see Standard III.D.9) (III.D.12-11).
  - l. Board Rule 101001.5 limits the accrual of employee vacation leave to no more than 400 hours, which provides a measure of control over employee-related expenses. The District also "*...does not provide lump-sum payment for any unused accumulated illness, injury or quarantine allowance to an employee upon separation of service...*" (III.D.12-8), (III.D.12-9).

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### **Analysis and Evaluation:**

The District's short-range financial decisions are well integrated with long-term financial plans for facilities and infrastructure development, technology investments, and hiring. Long-term obligations, specifically debt repayment of general obligation bonds arising from the construction program and control of insurance expenses, are effectively managed. Health benefit costs for active employees are fully funded every fiscal year. The District meets this Standard.

The process used in computing claims liabilities does not necessarily result in an exact amount because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield assumption of 1.5%. The current portion (due within one fiscal year) of the District's current workers' compensation liability is \$5 million. The District's strong financial position covers these obligations.

#### **LIST OF EVIDENCE**

- III.D.12-1 [LACCD Financial Audit – 6/30/2014](#), page 38
- III.D.12-2 [LACCD Financial Audit – 6/30/2014](#), pages 39-44
- III.D.12-3 [Postretirement Health Benefits Actuarial Valuation – 7/1/2013](#)
- III.D.12-4 [Future Costs Analysis, Budget & Finance Committee Meeting – 2/11/2015](#)
- III.D.12-5 [LACCD Financial Audit – 6/30/2014](#), page 33
- III.D.12-6 [LACCD Board Agenda and Minutes, Com. No. BF2, 4/23/2008](#)
- III.D.12-7 [CalPERS Quarterly Financial Statement – 3/31/2015](#)
- III.D.12-8 [Board Rule 101001.5](#)
- III.D.12-9 [Board Rule 101020](#)
- III.D.12-10 [District Budget and Planning Committee Policy](#)
- III.D.12-11 [LACCD 2015 Annual Audit Report](#)
- III.D.12-12 [LACCD District Insurance Premium](#)

### **III.D.13**

**On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.**

#### **Evidence of Meeting the Standard:**

##### **LACCD:**

The District does not currently have any locally incurred debt, nor has it had any during the past thirty years.

##### **LAMC:**

There are no locally incurred LAMC debt instruments.

#### **Analysis and Evaluation:**

Not applicable as LAMC does not have any debt instruments incurred at the campus level.

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### III.D.14

**All financial resources, including short-and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.**

**Evidence of Meeting the Standard:**

**LACCD:**

The District has numerous rules, regulations, and standing procedures to ensure proper use of funds consistent with their intended purpose. Regulations are updated regularly, and both internal and external audits are conducted on an annual basis, allowing the institution to identify and promptly correct any deficiencies in internal controls and ensure financial resources are well managed and used with integrity and in accordance with their intended purpose.

- a. District annual external audits have had unmodified opinions during the past 30 years. External audits include single audits of categorical and specially funded programs as well as all nine Associate Student Organizations (see Standard III.D.5). None of the audits have identified any misuse of financial resources and have confirmed that audited funds were used with integrity in a manner consistent with the intended purpose of the funding (see Standard III.D.5) (III.D.14-1 through III.D.14-6).
- b. Administrative Regulations governing auxiliary organizations' management of funds, audits, grants, insurance, etc. are detailed in AO-9 through AO-19. Administrative Regulations governing Associated Student Organization funds, accounts, and expenditures are detailed in S-1 through S-7 (see Standard III.D.10). The District's "Business Office & Accounting Policies and Procedures Manual" is widely disseminated and followed throughout the District to ensure all financial resources are used with integrity and for their intended purposes (see Standard III.D.8) (III.D.14-7), (III.D.14-8), (III.D.14-9).
- c. The Board reviews and approves issuance of additional general obligation bond funds. The District's annual external audits for its Bond Program demonstrate that bond expenditures have been used with integrity and for their intended purposes (see Standard III.D.8) (III.D.14-10 through III.D.14-13).
- d. Student loan default rates, revenues and related matters are consistently monitored to ensure compliance with federal regulations. The Central Financial Aid Unit (CFAU) ensures the segregation of duties in a manner consistent with the requirements of Title IV: student eligibility is determined at the college level; fund management is handled by District Financial Aid Accounting; disbursements are made by District Accounts Payable; disbursement record reporting is performed by the CFAU; and reconciliation is performed jointly by the college, CFAU and District Accounting. Individual colleges receive ad hoc Program Reviews by federal and state agencies. Any findings related to standardized procedures are resolved with the assistance of the CFAU, who then ensures all colleges are also in compliance (III.D.14-14).
- e. Board Rules 7608 and 7900 articulate the authority and responsibility of the CEO in overseeing compliance of the District's financial management and internal control structure with existing Board policy, state and federal laws and regulations, and generally accepted accounting practices (see Standard III.D.5) (III.D.14-15).

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- f. The District conducts internal audits throughout the year in order to identify any weaknesses and potential misuse of financial resources. Corrective Action Plans are promptly developed and implemented for any findings or areas of concern (see Standard III.D.5) (III.D.14-16).

**Analysis and Evaluation:**

**LACCD:**

Internal and external audits help confirm that the District uses its financial resources with integrity and for their intended uses. The District has not received any modified audit opinions for its financial statements for over twenty years and has received unqualified opinions for bond performance and financial audits since the inception of its bond program. The District has a strong internal control system and set of policies and procedures that help ensure its financial resources are used with integrity and for their intended purposes. The District has not issued any Certificates of Participation since December 2009. The District meets this Standard.

**LAMC:**

The audits performed by the external auditors resulted in unqualified opinions for over a decade. The College has had no audit findings since 2011. Internal audits resulted in some areas of weaknesses being identified and corrective action plans have been implemented to address any deficiencies.

Los Angeles Mission College meets this standard.

**LIST OF EVIDENCE**

III.D.14-1	<a href="#">LACCD Financial Audit, 6/30/2014</a> , pages 82-85
III.D.14-2	<a href="#">LACCD Financial Audit, 6/30/2013</a> , pages 83-85
III.D.14-3	<a href="#">LACCD Financial Audit, 6/30/2012</a> , pages 74-82
III.D.14-4	<a href="#">LACCD Financial Audit, 6/30/2011</a> , pages 72-73
III.D.14-5	<a href="#">LACCD Financial Audit, 6/30/2010</a> , pages 70-74
III.D.14-6	<a href="#">LACCD Financial Audit, 6/30/2009</a> , pages 78-81
III.D.14-7	<a href="#">Administrative Regulations AO-9 to AO-19</a>
III.D.14-8	<a href="#">Administrative Regulations S-1 to S-7</a>
III.D.14-9	<a href="#">Business Office &amp; Accounting Policies and Procedures Manual – Updated 2/21/2012</a>
III.D.14-10	<a href="#">LACCD Bond Financial Audit, 6/30/2014</a> , pages 8-10
III.D.14-11	<a href="#">LACCD Bond Financial Audit, 6/30/2013</a> , pages 8-9
III.D.14-12	<a href="#">LACCD Bond Financial Audit, 6/30/2012</a> , pages 8-10
III.D.14-13	<a href="#">LACCD Bond Financial Audit, 6/30/2011</a> , pages 8-9
III.D.14-14	<a href="#">CFAU Flow Chart/Evidence</a>
III.D.14-15	Board Rule 7608 and 7900
III.D.14-16	<a href="#">LACCD 2015 Internal Audit Report</a>

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### III.D.15

**The institution monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirement, including Title IV of the Higher Education Act, and comes into compliance when the federal government identifies deficiencies.**

**Evidence of Meeting the Standard:**

- The District is subject to an annual OMB A-133 audit to determine District compliance with major Federal programs such as Title IV. For FY2013, the District received an unmodified opinion and was deemed compliant with all requirements described in the OMB Circular A-133 Compliance Supplement (III.D.15-1).

**Analysis and Evaluation:**

The College monitors and manages its funds with integrity, as evidenced by no negative findings in the past three years' external audits.

The most current (FY2012) official three-year Cohort Default Rate (CDR) for the College is 16.4%. Consequently, the College collaborates with the District's Central Financial Aid Unit (CFAU) for default prevention. The District is contracted with a third-party entity to use its Borrower Connect cohort management software/service.

Los Angeles Mission College meets this standard.

#### LIST OF EVIDENCE

III.D.15-1      [LACCD OMB A-133 Compliance Audit](#)

### Contractual Agreements

#### III.D. 16

**Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution and the quality of its programs, services, and operations.**

**Evidence of Meeting the Standard:**

- The Vice President of Administrative Services (VPAS) signs off on all contract requests to ensure all contracts are consistent with the College's Mission and goals (IIID.16-1).
- The LACCD Board of Trustees requires that all contracts be ratified within 60 days of the start of the contract (III.D.16-2).
- The VPAS ensures that all contract provisions maintain the integrity of programs, services, and operations (III.D.16-3).

**Analysis and Evaluation:**

The VPAS reviews and approves all contracts to ensure their alignment with the College Mission.

Los Angeles Mission College meets this standard.

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### LIST OF EVIDENCE

- III.D.16-1 [Contract Request Forms Signed by the Vice President Administrative Services](#)
- III.D.16-2 [LACCD Board of Trustees Policy on Ratifying Contracts within 60 days](#)
- III.D.16-3 [LACCD Procurement Training – 6/2015](#)