

August 28, 2014

LACCD

Attn: Arnold Blanchard

**Re: Los Angeles Mission College Foundation Audit  
Audit Report Date: November 30, 2013  
Audit Period 7/1/2010 – 6/30/2013**

Arnold:

First I would like to thank you and your team for the audit report. This has opened our eyes to show us the areas the Foundation needs to improve in. In doing, so we can move forward and grow stronger in a more compliant manner.

As an introduction to our board, we are currently made up of eight volunteers. I am happy to say that we have grown since November with the addition of a couple key new members and a part-time Foundation Coordinator.

As much as I am disappointed that we did not meet our July 1 deadline, I am also happy to share that we have been making progress to address all the findings you and your team pointed out to us.

The audit was reviewed with the executive team and staff. On March 5, 2014, the Foundation Coordinator and I met with Danny Villanueva, a VP of the college, to create an action plan to address the 24 findings. Below you will find an outline of our progression on each of the findings.

See attached spread sheet. Issue 1 – list progress. Target date of first reading. Date of adoption and june/july.

Issue 2 (cut and paste each issue) who is working on it with due dates:

**A) Procurement**

- 1) **Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** A potential fraud was noted in the examined. A Board Member of the Foundation wrote three checks payable to “CASH”. These three checks totaled \$9,956.24.
  - i) Responsible Party: Albert Alvarez, Foundation President

- ii) Corrective Action Taken - Completed
  - (a) An investigation by the Los Angeles County Sherrifs Department has been opened up. Investigation is still on going.
  - (b) To help prevent such a thing to happen again, all check books are locked up securely in the President's Office.
  - (c) To help prevent such a thing to happen again two signatures are required for each check issued.
- 2) **Non-compliance with LACCD policies and procedures and best practices:** Purchase of items/services for use of the Foundation does not go through a purchase requisition process.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In Progress
    - (a) A policy procedure has been written up, however it has not been finalized and adopted by the board.
  - iii) Completion Date: October 9, 2014 general board meeting
- 3) **Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** Expenditure request forms were not provided for review. This equated to a 50% error rate and dollar error amount totaled \$76,709.29.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – Completed
    - (a) An expenditure request form has been created and is currently being used. These expenditure forms are reviewed by the Foundation President.
  - iii) Completion date: Done
- 4) **Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** There are internal weaknesses with the completion of the check request forms as the forms were not signed and/or dated by the preparer and/or approver. This equated to an error percentages rate range of 38% to 100%.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – Completed
    - (a) Check request form has been created and is currently being used. The Foundation Coordinator signs as the preparer and currently the Treasurer are approving them.
  - iii) Completion date: Done
- 5) **5. Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** There are internal weaknesses within the Foundation operation as payments are made without proper documentation justifying the expense to be paid and/or funds are used for eligible expenses. This equated to a 39% error rate and the dollar error totaled \$60,725.37.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – Completed
    - (a) For any payment to be made by the Foundation, an invoice or check request form and/or receipt listing the dollar amount being paid and reason/description of payment needs to be provided.
  - iii) Completion date: Done
- 6) **Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** IAD noted that there are internal weaknesses with the accounting and reporting process as not all transactions are posted to the Quickbook accounting software. The dollar error amount totaled \$4,876.05.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) All transactions are reported to the bookkeeper via email. Copy of check request form with signed checks, deposit request form, and wire/ach transfer form are emailed. Bookkeeper then posts transactions to Quickbooks.

iii) Completion date: Done

- 7) **Non-compliance with LACCD policies and procedures, Foundation procedures, and best practices:** The Foundation did not approve payment for items/services. This equated to a 13% error rate and the dollar error amount totaled \$20,595.61.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) Payments for items/services are approved by the board at each regular board meeting.
- iii) Completion date: Done

#### B) **Policies and Procedures**

- 1) **Non-compliance with LACCD Policies and Procedure:** The Foundation does not maintain an updated internal operation written policies and procedures for all pertinent areas.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – In process
  - (a) A policy procedure has been written up, however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

#### C) **Revenue and Cash Receipts**

- 1) **Non-compliance with LACCD and Foundation policies and procedures:** All of the Foundation revenue was not reported in the financial record of the Foundation.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) All income i.e. donations, sponsorships, miscellaneous deposits are now reported on Deposit Form that is prepared by the Foundation Coordinator and approved by the Treasurer. A copy of the Deposit Form is then emailed to the bookkeeper to be posted to Quickbooks.

iii) Completion date: Done

- 2) **Non-compliance with LACCD and Foundation policies and procedures:** IAD was unable to account for inventory of the silent auction items that were not sold.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) An inventory of all silent auction items have been recorded. If there were/are any silent auction items not sold, it will be stored in the Presidents office.

iii) Completion date: Completed

#### D) **Bank Reconciliations**

- 1) **Non-compliance with LACCD policies and procedures:** Evidence was not provided to substantiate the preparation of bank reconciliations.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – In process
  - (a) A policy procedure has been written up however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

2) **Non-compliance with LACCD and Foundation policies and procedures:** There are significant internal weaknesses in the following processes: the review for accuracies, approval, and timeliness of bank reconciliations.

i) Responsible Party: Albert Alvarez, Foundation President

ii) Corrective Action Taken – In process

(a) A policy procedure has been written up however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

3) **Non-compliance with LACCD policies and procedures:** The College does not perform due diligence in ensuring that the Foundation bank reconciliations are accurate.

i) Responsible Party: Albert Alvarez, Foundation President and Danny Villanueva, VP of LAMC

ii) Corrective Action Taken – In process

(a) A policy procedure has been written up however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

#### E) **Scholarships**

1) **Non-compliance with LACCD policies and procedures:** There are internal weaknesses within the selection and distribution process of students' scholarship as there is no evidence to substantiate each scholarship committee member selection and/or the Departmental scholarship selection. Additionally, no procedure manual or documents is maintained to validate the process use for the final selection.

i) Responsible Party: Albert Alvarez, Foundation President

ii) Corrective Action Taken – In process

(a) In our last scholarship selection we implemented a written scholarship and distribution process where each committee members' application review and selection is recorded/notated.

(b) A policy procedure has been written up however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

2) **Non-compliance with LACCD policies and procedures:** There is no evidence to substantiate the proper approval of scholarship payments.

i) Responsible Party: Albert Alvarez, Foundation President

ii) Corrective Action Taken – Completed

(a) Payments to each student are approved by the general board in the general board meeting.

iii) Completion date: Completed

3) **Non-compliance with LACCD policies and procedures:** There is no evidence to substantiate that individuals that received scholarships were actually enrolled at LAMC.

i) Responsible Party: Albert Alvarez, Foundation President

ii) Corrective Action Taken – Completed

(a) All individuals that are/were awarded scholarships are screened by the Financial Aid office to ensure the students enrollment.

iii) Completion date: Completed

#### F) **Walkthrough**

- 1) **Non-compliance with LAMC Foundation policies and procedures and LACCD Board Rule and Policies and Procedures:** The Foundation does not require board members and/or any other employee(s) in management to complete conflict of interest forms.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In process
    - (a) Conflict of interest form is currently being written up. Once completed all board members will be required to sign the form.
  - iii) Completion date: October 9, 2014 General Board Meeting
- 2) **Non-compliance with LAMC Foundation policies and procedures and LACCD Board Rule and Policies and Procedures:** There are internal weaknesses with the safeguarding of assets.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In process
    - (a) Check books and documents are now locked up in drawers in the President's Office.
    - (b) A policy procedure has been written up however it has not been finalized and adopted by the board.
  - iii) Completion date: October 9, 2014 General Board Meeting
- 3) **Non-compliance with LACCD policies and procedures:** The Foundation does not create an annual budget for its operation.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In process
    - (a) Bookkeeper has not finalized 2013/2014 books. Once that is completed we can see where monies were spent and then approve the 2014/2015 budget.
    - (b) A policy procedure has been written up however it has not been finalized and adopted by the board.
  - iii) Completion date: October 9, 2014 General Board Meeting
- 4) **Non-compliance with LACCD policies and procedures:** There are internal weaknesses with the Foundation's process for collecting cash and maintaining the required documentation to validate cash collection.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In process
    - (a) As checks/cash are received it is documented on our deposit form that is prepared by our Foundation Coordinator and approved by the Treasurer.
    - (b) A policy procedure has been written up however it has not been finalized and adopted by the board.
  - iii) Completion date: October 9, 2014 General Board Meeting
- 5) **Non-compliance with LACCD policies and procedures and Industry Best Practices:** The Foundation does not have a maximum amount established for its operating account to allow for a stronger investment portfolio.
  - i) Responsible Party: Albert Alvarez, Foundation President
  - ii) Corrective Action Taken – In process
    - (a) A policy procedure has been written up however it has not been finalized and adopted by the board.
  - iii) Completion date: October 9, 2014 General Board Meeting

**6) Non-compliance with LACCD policies and procedures and Industry Best Practices:**  
There is a lack of segregation of duties as it relates to the collection of cash, accounting and reporting.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) A policy procedure has been written up however it has not been finalized and adopted by the board.

iii) Completion date: October 9, 2014 General Board Meeting

**G) *Transfer of Funds***

**1) Non-compliance with LACCD policies and procedures and best practices:** Cash was transferred and/or withdrawals were made without proper documentation of authorization.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) All transfers in/out of Foundation accounts need Board approval. Once approved a wire/ACH transfer form is prepared by the Foundation Coordinator and signed off by the Treasurer.
  - (b) All other withdrawals or transactions are approved by the Board and documented on the check request prepared by the Foundation Coordinator and signed off by the Treasurer.

iii) Completion date: Completed.

**2) Non-compliance with LACCD policies and procedures and best practices:** There was no documentation provided to validate the completeness of a wire transfer transaction.

- i) Responsible Party: Albert Alvarez, Foundation President
- ii) Corrective Action Taken – Completed
  - (a) The Foundation President already provided the IAD with documentation that validated the wire transfer transaction.

iii) Completion date: Completed

I hope this gives you an idea of where we stand in the process. It is my goal that we get all of this completed and implanted by no later than our October 9, 2014 board meeting.

If you should have any further questions please do not hesitate to call me at my office at 818-662-1999 ext. 4.

Sincerely,

Albert D. Alvarez  
President

Cc: Dr. Monte Perez, Danny Villanueva