

June 27, 2017

To: Governing Board and Management of Southwestern Community College District

From: Christy White, CPA

Re: Outcomes of Internal Audit of Commercial and Payroll Warrants from January 2016 through June 2017

SUMMARY OF OUTCOMES OF INTERNAL AUDIT

Christy White Associates began work on the internal audit of commercial and payroll warrants for the district on July 2015. In the prior outcomes report, the Commercial Warrants were adjusted to reflect a Low (5%) risk, while the Payroll Warrants remained at Substantial risk (15%). The following summarizes the conclusions ascertained from the internal audits conducted January 2016 through June 2017.

The instances of procedures not being followed were reduced in both the Commercial Warrants and Payroll Warrants. We saw significant improvement in our review of Accounts Payable and Payroll. Due to the improvement, the risk associated with the Commercial Warrants will remain Low (5%). Additionally, Payroll Warrants have improved their processes, thus, the risk associated with the Payroll Warrants has been reduced from Substantial (15%) to Low (5%).

Overall, the results of our internal audits are very good. We have one recommendation:

- Ensure all purchases are pre-approved through a purchase order, including maintenance parts and supplies. Use of standing purchase orders with limits as to spending, type of purchases and authorized individuals, might be expanded. There should be methods to make all emergency purchases of supplies without bypassing the documented approval process.

The Auditor has tested the Commercial and Payroll Warrant Samples using the following Attributes and is reporting the following outcomes:

ACCOUNTS PAYABLE ATTRIBUTES

1. All payments should be made in accordance with applicable board policies, laws and regulations.
 - a. Overall excellent compliance. We did recently question one unusually high cell phone charge (over \$300 for one month) and have requested the cell phone policy to verify compliance.
2. All payments to vendors should have an approved Purchase Order or contract when applicable.
 - a. No areas of deficiencies were found in this area.
3. All payments to vendors should have appropriate invoices for goods and services received.
 - a. No areas of deficiencies were found in this area.
4. All appropriate Documentation is present, verifying receipt of goods or services rendered.
 - a. No areas of deficiencies were found in this area.
5. All payments to vendor payments should agree with Invoicing associated for the goods and services received.
 - a. No areas of deficiencies were found in this area.
6. All Vendor Invoices should be verified to ensure that the amount being is correct.
 - a. No areas of deficiencies were found in this area.
7. Purchase Orders for goods and services received should be dated prior to Vendor Invoices.
 - a. Although some deficiencies remain, there has been improvement in this area. We found a recent exception in the area of maintenance supply purchases. We recommend that prior approval be obtained and/or standing purchase orders with approved vendors be in place for emergency maintenance supplies.
8. Purchase Orders should agree with vendor Receiving Documentation of goods and services.
 - a. No areas of deficiencies were found in this area.
9. Vendor Invoicing should agree with Receiving Documentation of goods and services received.
 - a. No areas of deficiencies were found in this area.

ACCOUNTS PAYABLE ATTRIBUTES - CONTINUED

10. Account Coding on Purchase Orders should appear reasonable.
 - a. No areas of deficiencies were found in this area.
11. All commercial warrants should be sequentially numbered and accounted for.
 - a. Not tested within sample.
12. All Vendor Invoices should show proof of being canceled to prevent re-use. Not tested within sample.
 - a. Not tested within sample.

PAYROLL ATTRIBUTES

1. All monthly contracts should have appropriate documentation with authorization present
 - a. Although some deficiencies remain, there has been improvement in this area.
2. Timesheet present
 - a. No areas of deficiencies were found in this area.
3. Gross pay agrees to amount of hours worked times pay rate
 - a. No areas of deficiencies were found in this area.
4. The total max hours per week should not exceed the total max hours noted on the hourly timesheet.
 - a. The total max hours per week continue to exceed the total max hours noted on the hourly timesheets.
 - b. Although some deficiencies remain, there has been improvement in this area.
5. Check amount appears reasonable
 - a. No areas of deficiencies were found in this area.
6. Contract and Timesheet agree
 - a. No areas of deficiencies were found in this area.
7. All hourly timesheets should clearly display all required signatures to authorize the contract
 - a. Hourly timesheets continue to lack some of the required signatures to authorize the contract
 - b. Although some deficiencies remain, there has been improvement in this area.
8. All payroll warrants are sequentially numbered and accounted for
 - a. No areas of deficiencies were found in this area.

Commercial Warrants have significantly improved their processes, thus, the risk associated with the Commercial Warrants will continue to be evaluated at Low (5%) Risk.

Payroll Warrants have improved their processes, thus, the risk associated with the Payroll Warrants will be reduced from Substantial (15%) to Low (5%).