

**FOOTHILL/ DE ANZA
COMMUNITY COLLEGE DISTRICT**

**FACILITIES RENTAL PROCEDURES – DE ANZA
PERFORMANCE AUDIT
JULY 28, 2008**



July 28, 2008

Andy Dunn, Vice Chancellor
Foothill-De Anza Community College District
Los Altos, California

We were engaged to conduct a Performance Audit, subject to the terms of our engagement letter dated April 17, 2008.

Objective

The purpose of the engagement is to evaluate the Facilities Rental Procedures at De Anza College.

Professional Standards

This Performance Audit engagement was performed in accordance with Governmental Auditing Procedures for Performance Audits (Yellow Book) issued by the Comptroller General of the United States.

Criteria

The adequacy of the procedures was determined in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) report Enterprise Risk Management – Integrated Approach. The criteria for compliance were the District's written procedures and additional documented procedures based on interviews with management and appropriate staff.

Procedures

- We requested written procedures from the District and De Anza College for facilities rentals. We received procedures from the Campus Evening and Facilities Coordinator, College Services, De Anza College.
- We reviewed the written procedures and interviewed the Campus Evening and Facilities Coordinator involved in the facilities rentals at De Anza College to supplement the written procedures with documentation of previously unwritten procedures.
- Based on our review of written documentation and our interviews we prepared the attached draft procedures in written form and reviewed the draft with Campus Evening and Facilities Coordinator.
- We evaluated the draft procedures based on the COSO criteria.

Scope

The engagement was limited to the rental and use of facilities for non-academic activities for all facilities other than the Flint Center, the Planetarium, the Campus/Conference Center and parking lots and garages at De Anza College. The engagement did not include the District Fiscal office procedures for recording the deposits into the District financial system or procedures that may provide mitigation of internal control deficiencies in other District departments that provide support to events. We did not extend our engagement to select transactions to determine compliance with the procedures because we are recommending significant internal control changes.

Results of Procedures

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

As indicated above, we have not performed tests of the operation of the system of internal controls therefore our limited procedures would not necessarily disclose all matters in internal controls that might be control deficiencies and, accordingly would not necessarily disclose all control deficiencies that would also be considered to be a significant or material weakness.

For purposes of this report we are defining a financial statement misstatement as material or more than inconsequential in relation to the facilities rental revenues.

The attached written procedures provided to us and developed through interviews have control activities or the potential for control activities but segregation of duties is not adequate.

The following findings discuss control deficiencies that taken in combination is a significant deficiency. We did not classify the control deficiencies as a material weakness because, although the necessary independent reviews are not documented, nor necessarily performed, the potential for detection of a material financial statement misstatement from the combination of providing contracts to other departments and the published event calendar provide mitigation.

Our findings and recommendations that follow are offered as improvements that could further strengthen the internal controls or improve efficiency.

Documentation

A system of internal controls should be documented in writing to improve compliance with unwritten procedures, establish responsibility and accountability, and provide guidance in the event of employee turnover. Performance of internal control procedures should have documentation that the procedure was accomplished.

- **Documentation of Procedures.** The facilities rental procedures for De Anza were in writing but did not include all processes. We have prepared the draft procedures attached based on interviews with the Campus Evening and Facilities Coordinator. The draft procedures attached are limited to the facilities rental department and do not include procedures that may impact the internal controls from other departments.

Management should review the draft procedures and our recommendations, determine any modifications that may be needed, and officially adopt procedures to provide a basis for auditing compliance and establishing accountability. To the extent that controls in other departments are necessary, those procedures should be included in the final document.

- **Documentation of Rental Rates Updates and Approval.** We obtained written procedures at the inception of our engagement from the Campus Evening and Facilities Coordinator. The procedures include the facilities rental fees. The Facilities fees which are also posted on the District website are dated July 1, 2006.

The Campus Evening and Facilities Coordinator advised us that he recently revised fees based on review of rates charged by other Community College in the Bay Area. He reviews the rates with the Director, College Services prior to publishing new rates.

It is almost two years since the rental rates were reviewed and revised. We recommend that the rates be reviewed and revised annually. In addition, rates should be approved by the Board or designee to ensure the process for determining and approving fees conforms to the Civic Center Act.

- **Documentation of Contract Conditions.** The original “Facility Application – Contract” states, “Lessee shall abide by and enforce the rules, regulations and policies of the Foothill-De Anza Community College District governing the use of college facilities. (Application sections printed on reverse side of contract.)” The contract that is currently in use does not contain the District’s rules, regulations and policies. In addition, there is no link to District policy related to Community Use of District Facilities nor is a copy sent to the lessee with the contract.

We recommend that the “Facility Application – Contract” be revised to include the District’s policies and regulations or that it reference an attachment which is sent to the lessee with the contract.

Segregation of Duties and Monitoring

An effective system of internal controls requires a separation of duties so that one person does not control a transaction from beginning to end. Further, the internal controls should provide for monitoring of the operating effectiveness of the system

The Campus Evening and Facilities Coordinator is responsible for issuing contracts, scheduling, obtaining proof of insurance, coordinating with other departments, determining and calculating correct fees, invoicing, receivable

monitoring, and initiating requests for refunds. The procedures require that payments be made to the College cashiers; however, there is no independent oversight to ensure that fees are correct or collected. While refund requests require supervisory approval, documentation that would be required for the approval to be a meaningful internal control is not provided.

The procedures do not include monitoring of the system of internal controls by anyone other than the Coordinator prior to the receipt of payments by the College cashiers.

- **Independent Reconciliation and Monitoring**

Independent reconciliation and monitoring are key control activities that help ensure management directives are carried out and are an effective control to help ensure that District assets are not misappropriated.

- **Contract Completion.** There are several steps required in the process that must be completed before the event may be scheduled and occur. For instance security, grounds, technical support, proof of insurance. Copies of completed forms from Departments providing ancillary services are attached to the contract and provided to those departments as well as to the Chancellor and College President. (The Chancellor and College President do not receive the contract attachments.) No copies are provided to the Business Office and procedures do not include any review independent of the Coordinator that all required forms and insurance certificate has been received.

A check list should be developed and signed off by the Coordinator at a minimum. Preferably the checklist and review of documentation should be verified. The contracts and supporting documentation should be provided to the Business Office. Consideration should be given to providing a copy to District risk management as well.

- **Contract Verification Procedures.** Contracts are sequentially numbered (not pre-numbered) and logged by the Coordinator. There is no independent verification of contract sequence and the log is not used as a control document to determine that all contracts have been listed, or the amount of fees that should be received, by anyone other than the Coordinator.

Contracts should be pre-numbered, issued to the Coordinator by the Business Office, and the sequence of issued contracts verified by the Business Office.

All facilities use, including non-academic events must be scheduled in the College's classroom scheduling system, Resource25. In addition, the Coordinator lists all scheduled events in facilities other than the Planetarium and the Campus/Conference Center on an "Activities Calendar". However, there is no comparison of either calendar to contracts issued, or to revenue, independent of the Coordinator.

A process should be established to review and compare contracts and posted revenue to the calendar of events. The comparison should be made by an individual independent from the Coordinator who signs the contracts and schedules the events. We recommend that the contract number be referenced on the event calendar by the Coordinator and reconciled to issued contracts by the Business Office.

Although the event schedule and copies of facility use contracts is provided to the Director of Security, procedures do not require notification of an unauthorized event to parties independent of the Coordinator.

If Security notes an event which has not been scheduled, the Business Office should be notified.

- **Charges for Facilities Use.** The Coordinator calculates the amount of charges for use of facilities. There is no independent verification of the amounts charged to established rates or for clerical accuracy.

As recommended above, a copy of the approved contract should be provided to the Business Office, together with documentation verifying the type of organization renting the facilities. The Business Office should verify the rental fees charged. Depending on operational capabilities the Business Office approval could be required prior to issuance or, alternatively, be an after the fact verification provided any errors or infrequent and minor.

- **Invoices.** Invoices are manually numbered with the contract number and issued by the Coordinator.

Invoices should be pre-numbered and issued by the Business Office. If operational considerations dictate that the invoicing should continue to be accomplished by the Coordinator, the Business Office should provide the Coordinator with pre-numbered invoices, receive a copy when issued, and verify the sequence.

- **Receivable Reconciliation.** Invoices are issued when the contract is signed and returned to the applicant. A 50% deposit or full payment is due prior to the event. Revenue is recorded into the Student Information System, SIS, when payment is received by the Cashier. The Coordinator prepares and mails invoices. He maintains copies of unpaid invoices in a file drawer until he receives notice of payment from the Cashier. There is no receivable ledger and no independent review to ensure that receivables are collected.

The District should institute procedures to formally track and verify collection of receivables independent of the individual who signs the "Facility Application – Contract". As mentioned above, invoices should be issued by, or copies received by, the Business Office. Notice of payment from the Cashier should be provided to the Business Office who would be responsible for following up on past due invoices.

- **Refund Requests.** If a refund is necessary, the Coordinator prepares a "Request for Check" form and obtains approval from the Director, Campus Services before sending the form to the Business Office for payment. Documentation verifying that the lessee did pay the fees and that the event was cancelled is not given to the Director or to the Business Office to support the request.

Policies related to documentation requirements for all refunds should be established. We recommend that a "Request for Check" reimbursement for facilities rental be documented by a copy of the contract, a copy of the check or receipt notice from the Cashiering Office and correspondence related to the cancellation of the event and provided to the Director and Business Office.

If, as recommended above, the procedures are modified so that the Business Office is responsible for issuance of invoices, and receives receipt notice from the Cashier, then it would only be necessary for documentation that the event was cancelled to be provided.

Future Engagements

Once the procedures have been modified as necessary and approved, a selection of transactions to evaluate compliance with the procedures should occur during a period when non-academic use of facilities, including the use of athletic facilities is at its peak.

A handwritten signature in black ink that reads "Vavrinek, Trine, Day & Co., LLP." The signature is written in a cursive, flowing style.

Vavrinek, Trine, Day & Co., LLP

FOOTHILL DE ANZA COMMUNITY COLLEGE DISTRICT FACILITIES RENTAL PROCEDURES

DE ANZA CAMPUS

PERSONNEL:

Director, College Services –
Campus Evening and Facilities Coordinator, College Services

AUTHORITY:

The Civic Center Act as defined under Education Code Section 82537-82548 for community colleges, and District Board Policy 3205, Community Use of District Facilities govern the use of District facilities.

OVERVIEW:

The Campus Evening and Facilities Coordinator, College Services, schedules the rental and use of facilities for non-academic activities for all facilities other than the Flint Center, the Planetarium, the Campus/Conference Center and parking lots and garages.

Use of facilities for non-academic activities falls into four categories. Fees are applicable to each group as follows:

- **Student Clubs and Organizations.** Student organizations that have been approved by the governing board of the District may be granted the use of community college premises and properties without charge, subject to regulations established by the governing board of the District.
 - Not charged facility application process fee.
 - Not charged hourly rental fee.
 - Not charged utility usage fee.
 - Not charged fee for use of specialized equipment.
 - Fees for custodial, maintenance and security are only charged on weekends when extra hours would be required.
- **De Anza College Co-sponsored Events and Activities.** Activities that further the mission of De Anza College, are educational, student centered, and are co-sponsored by De Anza College faculty and or/staff who must be present during the event..
 - Must pay \$50 application fee.
 - Not charge hourly rental fee.
 - Not charged utility usage fee.
 - Not charged fee for use of specialized equipment.
 - Must pay for custodial, maintenance, and security.
- **Non-Profit Organizations.** Organizations (excluding churches and religious groups), clubs, associations and other public agencies organized for general character building or welfare purposes. These groups must provide documentation of legal non-profit status filed with the Internal Revenue Service.

- Must pay \$50 application fee.
 - Not charged hourly rental fee.
 - Must pay utility usage fee.
 - Must pay for use of specialized equipment.
 - Must pay for custodial, maintenance and security.
- **Religious Organizations and Private or Commercial Groups.** The governing board may charge an amount not to exceed its direct costs or not to exceed fair rental value of college facilities and grounds under its control for activities other than those specified above.
 - Must pay \$50 application fee.
 - Must pay hourly rental fee based on fair market value.
 - Must pay for use of specialized equipment.
 - Must pay for custodial, maintenance and security.

RENTAL RATES:

The Campus Evening and Facilities Coordinator, College Services, establishes the rental rates for facilities (excepting the Flint Center, the Planetarium, the Campus/Conference Center and parking facilities) and special event equipment based on a review of rates charged by other Community Colleges in the area. He/she reviews rates with the Director, College Services prior to publishing. Rates for security, maintenance, custodial, and technical support are established by the appropriate departments.

The utility usage fee charged to non-profit groups is \$15.00 an hour for classrooms, lecture halls and conference rooms, \$30.00 an hour for a gym and 50% of the normal rental rate for a track.

A refundable deposit of 50% of fee for the event will be required of all outside groups and organizations that are charged an hourly rate. Groups and organizations that are required to place a deposit will be billed for the total amount due after the event.

APPLICATION PROCESS:

Applications by for Co-sponsored Events and Use by Outside Groups

Facilities are advertised on the De Anza College website at www.deanza.edu/rentals. The website contains links to the Available Facilities and the Facility Rental Fees. The website provides the name, telephone number and email address of the Campus Evening & Facilities Coordinator for further information.

Request for the use of college facilities are made by completing a “Facility Application – Contract” form. The form may be obtained at the office of the Campus Evening & Facilities Coordinator or by calling the Coordinator and requesting a copy to be mailed. A downloadable form is also available on the website. An applicant may mail or fax the completed application form to the Campus Evening and Facilities Coordinator. Requests should be filed at least one month in advance of the proposed event. The Coordinator will attempt to accommodate an applicant if requests are filed less than one month in advance provided there is sufficient time to coordinate necessary services.

Applications by Student Organizations

Request for use of College facilities by a Student Club or Organization is made on an “Event Planning Request Form”. The form must be signed and dated by the Club Advisor. Requests should be submitted to the Campus Evening & Facilities Coordinator at least fifteen working days prior to the event. The

Coordinator will attempt to accommodate the organization if requests are filed less than fifteen working days in advance provided there is sufficient time to coordinate necessary services.

Application Approval and Confirmation

The Campus Evening & Facilities Coordinator checks availability of the requested facility in Resource25, the College's Classroom and Event scheduling software system. If the application is for the use of A-11 or AT-120, large performance halls, the Coordinator also checks with the Dean of Creative Arts. The Coordinator verifies availability with the Athletic Director, before scheduling the use of any athletic facility. If the facility is available, the Coordinator enters the event in Resource25 to hold the space.

The Coordinator calls the applicant if necessary to discuss the event and clarify any special requirements. If an outside group or organizations wishes to rent a parking lot or secure prepaid parking for event participants, the Coordinator will arrange for the event organizer to meet with the Director of Campus Safety and Security.

Once applicable approvals are obtained, the Coordinator assigns a contract number to the "Facility Application – Contract" or "Event Planning Request Form". The Coordinator manually assigns a contract number, using the next available number in a manual log of contracts. The same log and numbering sequence is used for both types of requests. The Coordinator signs and dates the Contract or Form.

The Coordinator calculates charges, if applicable, and enters them on the bottom of the Contract. If rental fees or charges are due, the Coordinator also prepares an invoice. The invoice is assigned the same number as the contract number. The invoice states payments are to be remitted to the De Anza College Cashier's Office. The Coordinator signs and mails two copies of the contract, a copy of the invoice and a pre-addressed envelope to Cashier's Office for payment to the applicant. If the group is on campus, the Coordinator sends it inter-office mail.

The applicant signs one copy of the "Facility Application – Contract" and returns it to the Campus Evening & Facility Coordinator. The second copy is for the applicant's records. The Coordinator must receive the signed Contract and all fees or deposit before the event can be officially scheduled.

Certificate of Insurance

Outside groups and organizations must provide the College with a Certificate of Insurance for \$1 million dollars listing De Anza College as additionally insured. If required, the Certificate of Insurance must also be received before the event can be officially booked.

SCHEDULING AND DEPARTMENT NOTIFICATION:

The Campus Evening & Facilities Coordinator secures the reservation for the facility in Resource25. The Coordinator also maintains an "Activities Calendar" on which he/she lists all scheduled non-academic events in facilities other than the Planetarium and the Campus/Conference Center. He/she posts events at the Flint Center in Resource25 and on the "Activities Calendar" based on information received from the Director, Flint Center. The Coordinator also submits request forms for support services, including security, grounds, custodial, and technical support.

One week prior to the event, the Campus Evening & Events Coordinator contacts the applicant to confirm the event date, time, facility and support services. He/she also confirms that all support services are scheduled.

Each Friday, the Coordinator sends a copy of the “Activities Calendar” for the upcoming week to the Director of Campus Safety and Security, the Director of Plant Services, the Director of Custodial Services, the Athletic Director, the Chancellor and the College President. He/she attaches copies of the “Facility Application – Contract” forms and the “Event Planning Request Forms” for everyone other than the Chancellor and the College President. A letter of instruction is also included for any event scheduled in an athletic facility.

BILLING AND PAYMENT:

Initial Invoice

As noted above in the section entitled Application Approval and Confirmation, the Campus Evening & Facilities Coordinator sends an invoice for the deposit or fees due to the applicant along with the approved Facility Application – Contract form. The invoice states payments are to be remitted to the De Anza College Cashier’s Office and breaks out charges for the Application fee, Facility Charge, Plant Services Fee, Security Charge and Other.

Methods of payment are cash, check or credit card. If the payment is to be made by credit card, a Facility Fee Payment by Credit Card form must be obtained from the Campus Evening & Facilities Coordinator.

Final Billing

Groups and organizations that are required to place a deposit will be billed for the total amount due after the event. Once the Campus Evening & Facilities Coordinator receives full payment for the event, he/she will return the deposit. **How can the deposit be returned?** The applicant may make arrangements to apply to the deposit to the total and pay the outstanding balance.

When payment is received, the Cashier enters the receipt into the Student Information System (SIS). Amounts received for application fees, facility charges, plant services and special equipment charges are posted to the De Anza Facility account, 152026. The Cashier prints a receipt and sends a copy to the Campus Evening & Facilities Coordinator. Amounts received for Security Services are recorded to the Security Services Department and the receipts are sent to the Director, Campus Safety and Security.

The Campus Evening & Facilities Coordinator files unpaid invoices in an open invoice file in chronological order under paid. After the invoice is paid, the Coordinator attaches the receipt obtained from the Cashier to the invoice and files the documents with the contract. The open invoice file is reviewed by the Coordinator as needed to ensure that invoices are paid timely.

CONTRACT FILING:

Contracts are filed in a binder by contract number. Facility Application – Contract forms and Event Planning Request Forms receive the same contract number series and are filed together in the same binder(s). Separate binders are used for certain large annual events and organizations that use facilities on an ongoing basis. Invoices and receipts received from the Cashier, certificates of liability insurance and documentation of legal non-profit status filed with the Internal Revenue Service is filed with the contract as applicable.

PLANT SERVICE CHARGES:

Custodians charge their time to the Facilities Department when working on an event. The Campus Evening & Facilities Coordinator receives a copy of overtime forms charged to the Facilities Department and must approve the overtime. The Coordinator verifies the event prior to approving the overtime. If there is a question regarding time or the event, the Coordinator sends the overtime form back to the Custodial Manager for clarification.

After approving the overtime, the Coordinator makes a copy of the form and returns the original to the Custodial Manager. The copy is filed in a separate file of overtime forms as they come in.

EVENT CANCELLATION:

If it is necessary to cancel an event, the Campus Evening & Facilities Coordinator must be notified no less than 72 hours prior to the scheduled event to receive a refund. If the notification is received and acknowledged by the Campus Evening & Facilities Coordinator at least 72 hours prior to the event, all monies except the \$50 facility application fee will be refunded. Refunds will not be given for events cancelled less than 72 hours prior to the event. Refunds will not be given to groups or organizations that fail to show for the scheduled event.

If an organization cancels an event timely and paid the applicable fees, the Campus Evening & Facilities Coordinator prepares a "Request for Check" form. The Coordinator fills in the Organization's name and address, the check amount requested, the Facility Department Account Code to be charged and an explanation of the purpose for the request.

The Coordinator submits the request to the Director, College Services for approval. The Coordinator submits the request to District Accounting after receiving approval from the Director. A copy the request is filed with the contract.

EVENT EVALUATION:

After the completion of an event, the Campus Evening and Facilities Coordinator mails an Event Evaluation form to the applicant. Evaluations that are returned are reviewed to improve facilities rental services.

Internal Control Strengths

Segregation of Duties.

- Cash, check and credit card receipts are received by the Cashier.

Documentation.

- A sequential log of all contracts is maintained by the Campus Evening & Events Coordinator.

Internal Control Weaknesses

Documentation.

- The facilities rental procedures are in writing but do not include all processes.
- Policies and procedures do not specify frequency of reviewing and updating rental rates.
- The facilities rental procedures do not include process to obtain Board approval of rates in accordance with Board Policy.
- District policy related to community use of District facilities is not included in the contract.

Independent Reconciliation and Monitoring.

- The procedures do not provide for a review of contracts, proof of insurance and documentation of ancillary services independent of the Coordinator.
- There is no independent verification of contract number sequence and the contract log is not used as a control document to ensure that all contracts have been listed and all fees collected.
- Facilities calendars are not compared to facilities revenues independent of the Coordinator.
- Invoices are manually numbered with the contract number and are issued by the Coordinator.
- There is no receivable ledger and no independent review to ensure that receivables are collected.
- Requests for refunds are not accompanied by documentation that the lessee did pay the fees and that the event was cancelled.