In planning and performing our audit of the financial statements of Peralta Community College District (the District) for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 16, 2014, on the financial statements of the District.

**Out of State Travel**

**Observation**

The District's procedure for the approval of out of state travel is not following the board policy. The auditor noted five out of five tested were all approved by the board after the travel had occurred. Out of state travel is required by board policy to be approved prior to the travel.

**Recommendation**

The District should implement a procedure to ensure that all out of state travel is being board approved prior to the travel being completed. The District should implement a control to verify that all expenses are in accordance with board policies.

**Management's Response and Corrective Action Plan**

Board Policy 7400 states that “out of state and international travel also require advance approval of the Board of Trustees. The Chancellor is delegated the authority to approve out of state and international travel if the Chancellor determines that the trip is imperative and could not have been anticipated sufficiently in advance for Board prior approval. All travel must be ratified by the Board of Trustees.” The District used this as the compliance measure. However, this should be the exception not the rule followed by the employees requesting out-of-state travel. The District will include this information in their annual purchasing and accounts payable workshop at each of the Colleges, in addition to having a discussion in Cabinet and at the Director of Business and Administration meetings.

**Revolving Reconciliations**

**Observation**

The revolving cash bank reconciliations are not being performed and reviewed in a timely manner. Reconciliations tested showed no evidence of a review procedure over the revolving cash reconciliations.
Recommendation

The District should implement a monthly procedure to ensure that all reconciliations are completed in a timely manner, and there is evidence of a review by someone other than the preparer.

Management's Response and Corrective Action Plan

The revolving cash account is reconciled monthly; however, the transactions are not posted to the District General Ledger. The Director of Fiscal Services will work with the responsible employee in resolving the postings of these transactions.

Trust Accounts

Observation

The auditor noted that at several campuses, trust accounts selected for testing had no trust agreements maintained. According to the California Community Colleges Budget and Accounting Manual (BAM), agency funds are appropriate when there is a formal written agreement granting the district discretionary authority. There also should be contractual or regulatory conditions outlined restricting the use of the funds or require the district to exercise a management role or report the results of operations in its financial statements.

Recommendation

The District should perform an analysis to ensure that all trust agreements are current and meet the BAM requirements.

Management's Response and Corrective Action Plan

The District will work with the Director of Business and Administrative Services at the College to update trust agreements and cash controls. The District will include this item at the Director of Business and Administration meetings.

Associated Students

Observation

Merritt College

The bank reconciliations of the Associated Students and the Trust Funds are not being performed and reviewed in a timely manner.

During the review of receipting for the Associate Students' account, it was noted that multiple receipts were not deposited in a timely manner.

During review of receipting for the food service account, it was noted that multiple receipts were not deposited in a timely manner. The site does not have a consistent receipting process for food service receipts.

There is no review process in place over the receipting of funds that are processed through the bursar's office.
Berkeley City College

The Associated Students' bank reconciliations are not being performed and reviewed in a timely manner.

The site is not maintaining records of club account balances within the Associated Students. All club revenue and expenses are recorded in the general ledger, but available club funds are unknown and not being tracked.

Alameda College Trusts

The auditor noted that control deficiencies from the prior year have not been implemented. The College still has no control designed where trust receipts collected are reviewed by an independent individual prior to deposit to the bank.

Recommendation

The Colleges should implement procedures and controls to ensure that all bank reconciliations are completed and reviewed in a timely manner. All collections of funds should have efficient controls that ensure that the monies are being receipted and deposited in a timely manner. These controls should have segregation of duties and documentation of the receipting process.

Management's Response and Corrective Action Plan

The District will work with the Director of Business and Administrative Services at the Colleges to update policies and procedure manual for cash controls. Bank reconciliations will be reviewed and followed up with by the Director of Fiscal Services. The District will include this item at the Director of Business and Administration meetings.

We appreciate the time and assistance the staff of the District Business Office provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2014-2015 fiscal year.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Rancho Cucamonga, California
December 16, 2014