



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Chancellor, Board of Trustees,
and Management
Peralta Community College District
Oakland, California

We have performed the agreed-upon procedures which management has specified, as noted below, to the Schedule of Financial Statement Findings and Recommendations, Federal Compliance Findings and Questioned Costs, and State Compliance Findings and Questioned Costs as reported in the 2007-2008 Annual Financial Statements of the Peralta Community College District (the District) as of February 27, 2009. The District's management is responsible for the Schedules noted above and for the appropriate corrective action plans. This engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed Upon Procedures:

We will obtain and review management's Corrective Action Plan for the Financial Statement, Federal Compliance and State Compliance findings and recommendations and questioned costs as reported within the District's Annual Financial Statements for the year ended June 30, 2008.

We will apply procedures as determined to be necessary to understand and report on the current status of the District's implementation of the audit recommendations.

We will provide to the District a report detailing each finding and the current status as determined by our procedures as Implemented, Not Implemented, or Corrective Action is in Process.

The results of our procedures are incorporated in this report as Exhibit A.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees, the Chancellor, and management of the Peralta Community College District, and the District's accreditation team and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine Day & Co. LLP

Rancho Cucamonga, California
April 2, 2009

EXECUTIVE SUMMARY

Management of the Peralta Community College District has requested a review and current status analysis of the findings, questioned costs, and recommendations related to financial statement, Federal compliance, and State compliance comments noted within the audited financial statements for the 2007-2008 fiscal year. This report was issued February 27, 2009. These findings represented material weaknesses, significant deficiencies, and control deficiencies in the internal accounting controls of the District. The District's practices and internal control structure has been significantly impacted over the past four years by the implementation of a new financial accounting software system and the required additional implementation of modules and enhancements that were not part of the original implementation. Many of the comments noted reflect this event and, based upon interviews, analysis and documentation are ongoing with implementation of new systems and controls. Throughout this report, the status of the findings will be broken into five categories as follows:

1. **Implemented:** Results of procedures applied to the original finding note the control that was originally absent is now in place with current monitoring and review of the process part of the District's current practices.
2. **Partially Implemented:** The District has implemented a reporting process to identify responsible parties or key implementation procedures, but due to the short length of time between the reporting date and the procedures provided within this report, the process and/or procedures has not been implemented. Testing will continue through the 2008-2009 annual audit, and the final results will be reported within the findings and recommendations section of the District's financial statements.
3. **In Process:** The process and implementation timelines have been addressed, and through inquiry and observation, the process should result in implementation of the recommendation; however, due to year-end accounting requirements, we have been unable to test the end results of the new processes. Testing of this area will continue through the 2008-2009 annual audit and final results will be reported within the findings and recommendations section of the District's financial statements.
4. **Not Implemented:** The underlying internal control originally reported to management has not been addressed sufficiently to determine whether the controls will be in place by June 30, 2009. Where appropriate, we have included management's estimated timeline for implementation.
5. **Unable to Determine:** The reporting process may be one that requires the District's books and records to be closed and cannot be tested until that time. Additionally, some District staff were not available due to prior commitments to comment or provide documentation related to the recommendation. We will continue to review and test this area during the audit process.

Each of the 30 findings reported within the 2007-2008 annual audit has been addressed with eight (8) findings noted as implemented; five (5) findings noted as partially implemented; ten (10) findings noted as in process; and three (3) findings noted as not implemented. Additionally, there were four (4) findings we were unable to determine based upon the criteria noted above.

We appreciate the assistance that has been provided by District staff, both at the District Office level and the College campuses.

RESULTS OF THE AGREED-UPON PROCEDURES

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

Finding 2008-1: *Material Weakness* - Findings and recommendations noted in the prior years' audit reports have not been addressed through an implementation process. Material weaknesses and significant deficiencies have rolled forward through several years with no corrective action.

Current Status: Implemented: The District Business Office has developed and provided to us a tracking system for all comments and recommendations for the past three years and has implemented a procedure to evaluate and review the status of all recommendations throughout the year. The tracking system includes a "person responsible" and due date to ensure compliance has been reached.

Finding 2008-02: *Material Weakness* - As noted in prior years' reports, the District implemented the PeopleSoft financial accounting system during the 2005-2006 fiscal year in response to significant weaknesses and deficiencies in the prior financial reporting system. Inadequate support from the software vendor, as well as delays in the implementation of certain modules of the system, have resulted in continuing deficiencies in the ability to post, review, reconcile, report, and monitor the financial activity of the District.

Financial reporting/ledger reports are not readily available to the users of the financial information to provide analysis and oversight of the financial activity and budget monitoring. Reports have not been developed that can provide transparency to the activity and review a routine basis. Subsidiary ledger reports have not been developed that can be reconciled to the general ledger on a routine and timely basis.

The Information Systems Department has been given access to all process activities and report writing in an effort to obtain financial information on a more timely basis. The hierarchy of controls over electronic information appears to be set at inappropriate levels. In some instances, the control has been set so high that users cannot access the needed information and, in other instances, has been set too low to allow certain key individuals access to all segments of the transaction cycle.

A clear audit trail which allows for the timely review of transactions and approvals is not available within the accounts payable module.

Department managers have been unable to utilize the PeopleSoft financial accounting system to properly monitor their budgets related to personnel costs. Separate spreadsheets have been developed to reconcile, monitor, and control personnel costs during the year.

Reconciliations of the cash held in the county treasury to the general ledger was not completed on a monthly basis during the 2007-2008 fiscal year and, ultimately, was not completed until January 2009.

Current Status: In Process: Through inquiry and observation of the Vice Chancellor of Finance and Administration and the Information Technology Department, the District is utilizing the consulting services of Ciber, Inc. to implement necessary modules and programming to address the ongoing concerns with the PeopleSoft financial reporting system. Updates have been provided and installed and testing of new modules has begun.

Training sessions have been held with District and College Business Office personnel by Ciber, Inc. consultants on the ability to query information and general ledger accessibility.

Additional suggestion to the current training procedures was to post a training calendar for the various modules being implemented and include a sign-in process to take attendance and ensure participation by appropriate staff.

The District installed the Position Control Module in December 2008; however, the full implementation and capabilities of the module have not been integrated in the current practices and procedures from an operational standpoint.

The full implementation of the recommendations is dependent upon the continued successful implementation of the accounting modules and ability of District staff to properly record, review, and reconcile the accounting information.

Finding 2008-3: *Material Weakness* - The PeopleSoft financial accounting software operates and provides the following services through the Information Systems:

- Accounting - A financial, accounting, and budgeting system that processes all transactions for the District.
- Purchasing - Vendor files and payment information.
- Payroll - The payroll processing for employees of the District.

Due to the implementation issues associated with the PeopleSoft accounting system, these key areas have not been independently evaluated or tested to ensure the controls, approvals, procedures, and processes have been appropriately set up within the computer system and are functioning properly.

Current Status: Not Implemented: The implementation of the recommendations is dependent upon the continued successful implementation of the accounting modules and ability of District staff to properly record, review, and reconcile the accounting information.

Finding 2008-4: *Material Weakness* - The District maintains investments from the issuance of the Taxable 2005 Limited Obligation OPEB Bonds, which are held separately by an Investment Manager employed by the District.

The District recorded the initial proceeds from the sale of the bonds within a trust fund of the District; however, the activity subsequent to the initial investment has not been recognized within the system. During the year ended June 30, 2008, total investments recorded on the District's general ledger amounted to \$171,981,823 which did not agree to third party custodian's confirmation of asset valuations of \$160,148,670.

Additionally, the trust fund has not recorded the corresponding debt related to the OPEB bonds which is required under generally accepted accounting principles.

Although the District has received and reported quarterly reports on the activity, including gains and losses of investment held through the bond, the actual financial reporting within the general ledger system did not properly reflect this activity.

Audit adjustments were proposed and accepted by management to account for the net decrease in the fair value of investments as of June 30, 2008, in the amount of \$11,833,153. An adjustment was proposed and accepted by management to include the long-term obligations of the fund in the amount of \$131,159,418. Additional adjustments to include current activity brought the reported ending balance of the trust fund from a positive \$138,102,639 to a negative \$4,993,374. These adjustments take into account all changes in fair value including purchases and sales, as well as realized and unrealized gains and losses that occurred during the year.

Current Status: Partially Implemented: The accounting criteria for the OPEB bonds has been identified by the Vice Chancellor of Finance and Administration who has stated a journal entry to record the current year investment and account activity will be posted to the accounting records of the District through the closing process. Testing will continue through the 2008-2009 annual audit, and the final results will be reported within the findings and recommendations section of the District's financial statements.

Finding 2008-5: *Material Weakness* - The District has not implemented a previously purchased software program to account for the maintenance, addition and deletion of the capital assets, and the related depreciation. Accounting records are incomplete and inadequate to provide sufficient support for an opinion on the fair presentation. The following areas are affected by this:

- Reporting: The District has not adequately developed procedures or assigned responsibility to account for capital assets.
- Construction in Progress Classification: Schedules of expenditures for construction in progress do not agree to the amounts reported within the capital assets ledger or the expenditures ledger. Further, the general ledger is not adjusted for prior year audit corrections.
- Building/Site Improvements Classification: The District has not developed procedures to analyze existing capital assets reported values when a modernization project substantially changes the existing asset cost.
- Equipment Physical Inventory: The District conducted a physical inventory of equipment during the 2006-2007 fiscal year. However, the results of the inventory were not reflected in the financial fixed asset information.
- Disposals for Equipment: The District has not identified machinery or equipment which has been disposed of or impaired. The Colleges do not have procedures in place to report changes in capital asset status including disposals, loss, or inventory of machinery and equipment.
- Current/Accumulated Depreciation Expense: Based upon the above noted items and the inability to maintain a complete fixed asset listing, current records do not support the recorded current or accumulated depreciation expense.

Current Status: **Partially Implemented:** Through inquiry of the Information Systems department personnel, the Ciber, Inc. consultant, and the Vice Chancellor of Finance and Administration, the fixed asset module of PeopleSoft has been brought online with the mapping of account codes from the expenditure reports to the fixed asset module under way. Additionally, the prior year balances are being reviewed with a new physical inventory of equipment being contracted to take place. The process for full implementation calls for a full reconciliation of the actual construction projects, buildings, equipment, and related depreciation to be conducted for reporting within the 2008-2009 annual financial statements. Full implementation of the controls and recommendation is dependent upon the success of the reconciliation process.

Finding 2008-6: *Material Weakness* - As noted in the prior year's audit report, poor implementation of cut-off procedures associated with the accrual accounts within the fund financial statements resulted in audit adjustments being proposed and accepted for accounts receivable, cash accounts, prepaid expense, and accounts payable. The oversight and monitoring of these accounts has also been impacted by the financial accounting software system as described in finding 2008-2 above.

Current Status: **In Process:** Through inquiry of the Vice Chancellor of Finance and Administration and the Ciber, Inc. consultant, a query is currently being developed that will better allow the District Business Office staff to clearly identify transactions that should be part of the year-end closing process and reconcile the amounts accrued to the amounts paid. The full implementation of the recommendations is dependent upon the implementation of the query process and staff understanding of the necessary accrual adjustments. Testing will continue through the 2008-2009 year-end audit with full reporting of the status incorporated in the annual financial statements.

Finding 2008-7: *Material Weakness* - Due to the District conversion to a new student accounting system, the College campus business offices have not been able to determine the amount of student enrollment fees received and earned subsequent to the implementation date of May 2008. In testing student enrollment fee activity, we noted the system will back-date the activity to a prior period if a student requests a refund or other adjustment to their account.

Current Status: In Process: The District is currently working with the Ciber, Inc. consultant to develop a report which will identify the student fees received at the College locations and allow the College and the District to reconcile the fees to the proper period. The issue with the revenue accounts that existed at June 30, 2008, and did not allow for the proper recording of the revenue has been identified and the codes noting the revenue accounts have been identified. The District is now working on the reconciliation that will bring these codes forward for posting with the District's cash and revenue accounts. Testing will continue through the 2008-2009 year-end audit with full reporting of the status incorporated in the annual financial statements.

Finding 2008-8: *Material Weakness* - Revenue has been received by the Laney College Bursar's Office and recorded within the campus trust fund accounts from Federal categorical programs. These funds have not been reported to the District Business Office to ensure compliance with the terms and conditions of the grant and have not been included within the District's Schedule of Expenditures of Federal Awards. Expenditures of the funds received have been netted with the revenues, and a clear audit trail of the actual activity has been eliminated.

Current Status: Implemented: The District Business Office has instructed each College campus that all grant revenue (Federal, State, or local) must be forwarded to the District Office for recording within the books and records of the District. The instruction noted that the authority to bind the District through contracts with other agencies rests with Executive Management at the District Office. Through discussion with the College Business Manager, this revenue was again received in 2008-2009, and the funds have been forwarded to the District Office for proper accounting. Continued testing at all College locations will occur within the 2008-2009 audit year.

Finding 2008-9: *Material Weakness* - The financial accounting system used by the four College Bursar's Offices for trust fund accounting does not provide the ability to separately identify revenues received and expenditures made. All activity for the trust accounts is netted to show only the beginning and ending balances. Over the past year, activity through the trust accounts has grown with over \$1.6 million in assets being held at the four College campuses. A full accounting of the revenues and expenses of the trust accounts can not be provided during the year or at year-end.

Current Status: In Process: The College Business Managers are currently reviewing two options to provide a solution to the accounting for the trust fund activities and provide transparency to the transactions including the use of QuickBooks or providing expanded accounts and queries under the current accounting system. As of March 27, 2009, the final determination has not been completed.

Finding 2008-10: *Significant Deficiency* - As noted in the past several years' audit reports, the District's operations and functions are decentralized and take place at four College campuses, as well as the District Office. An internal audit function that provides an ongoing assessment of the District's accounting and financial operations is a valuable tool within the internal control function of the District.

Current Status: Not Implemented: The District has not implemented the process to include an internal audit process or function.

Finding 2008-11: *Significant Deficiency* - Accounts payable technicians have the ability to approve transactions within the purchasing module. This enables the "direct pay" of a vendor which effectively circumvents the purchasing function and eliminates the proper segregation of duties required by sound internal controls.

Current Status: Implemented: Through inquiry observation and testing, we have verified the District's internal control over the accounts payable and direct pay processes. The District's accounts payable technicians verified they will not pay an invoice without a vendor invoice and approved "Check Request Form". Additionally, controls set within the PeopleSoft Accounting System will not allow the same individual to both enter a payment and process the payment.

An additional control was suggested that the accounts payable supervisor print out a report of Direct Pays on a monthly basis and review supporting documentation on a random basis to ensure the payment is proper.

Finding 2008-12: *Significant Deficiency* - With the implementation of the software accounting system, many procedures and functions within the accounting, payroll, purchasing, and business office have significantly changed, and prior practices and procedures are no longer valid. There are no updated written procedures to support current practices and ensure all staff are aware of the approved practices related to the business office procedures.

Additionally, the practices and procedures for financial activity at the four College Campus Business Offices are not written.

Current Status: Implemented for the District Business Office. Procedure manuals were provided to the staff for review. **In process for the College Campus Business Offices.** The procedure manuals at the college level are being developed through collaboration with all College Business Offices and the District Business Office.

Finding 2008-13: *Significant Deficiency* - Segregation of duties for processing transfers between funds and journal entries to post and correct activity has not been enforced. The creation and processing of transactions posted between funds through journal entries may rest with one individual with no documentation of additional review, approval, or reconciliation.

Current Status: Unable to Determine: Due to the unavailability of certain staff, this finding was not reviewed for current status.

Finding 2008-14: *Significant Deficiency* - The District provided a draft of their Disaster Recovery Plan (DRP) for the Information Systems Department; however, the key components of the DRP could not be demonstrated that they have been implemented. In the event of a disaster, the District may not be in a position to take the necessary steps to mitigate the effects of such a disaster.

Current Status: Partially Implemented: Through inquiries and observations with the Information Technology Department, the DRP is continuing to be reviewed and updated. Funding for the full implementation is included in the Board Packets for April 7, 2009.

Finding 2008-15: *Significant Deficiency* - The CCFS-311 report is due on or before September 30 of each fiscal year. The CCFS-311 report provided to the auditors was incomplete. This fiscal year, the System's Office required community colleges to submit a balance sheet and a GASB Statement No. 45 questionnaire with their annual submission of the CCFS-311 report for fiscal year ending June 30, 2008. The District did not submit either documentation with their annual CCFS-311 report. The District did submit the required supplemental reports on January 23, 2009. However, the reports were not submitted with the initial CCFS-311 reporting. Also, the report did not include information on the reservations of fund balance necessary to properly present the components of fund balance in supplemental section or calculate available reserves.

Current Status: In Process: The annual reporting on the CCFS-311 is not due until September of each year. Processes are being developed to meet the timelines and inform staff throughout the District of the necessity to report financial activity accurately and timely.

Finding 2008-16: *Significant Deficiency* - A complete SEFA was prepared by the District for both the Federal and State categorical programs; however, we noted the following errors and omissions in the initial SEFA. Two of the Federal programs were reported on the SEFA as State Categorical Programs. On the State categorical page, they were missing four categorical programs. There were also some errors noted within the recordings of the total revenue and expenditures.

Current Status: In Process: The annual reporting on the SFRA is not due until the District has closed, reconciled, and reviewed the financial activity of each year. Processes are being developed to report financial activity accurately and timely on the required schedule.

Finding 2008-17: Significant Deficiency - The District did not post prior year audit adjustments to the General Fund, Capital Outlay fund, or the Self-Insurance fund. The Deferred Comp Trust (OPEB) balance was off a dollar, which indicates that the significant adjustment to this fund was posted.

Current Status: Unable to Determine: Due to the unavailability of certain staff, this finding was not reviewed for current status.

Finding 2008-18: Significant Deficiency - Each of the College Bursar's Offices receive monies from students for enrollment fees, parking fees, and other assessments, as well as facilities rental fees and other amounts that are to be forwarded to the District Office on a timely basis. During our testing of activity subsequent to June 30, 2008, we noted Merritt College had opened two accounts within the Associated Student accounts for deposit of facilities rental fees, as well as other receipts without forwarding these funds to the District Business Office. Expenditures through these new accounts were also noted including a "loan" for a college conference in the amount of \$25,000. As of our audit date, \$15,000 of this loan had been repaid and \$10,000 remained outstanding. We were unable to obtain detail records of the conference attendees, purpose, and actual expenses. The BAM identifies specific instances when loans from Associated Student Body Organization funds may be made -- expenses that are the responsibility of the District do not fall under the approved categories.

Current Status: Partially Implemented: Through inquiry, observation, and testing, the loan from the ASMC to the College Business Office was repaid in full on March 27, 2009. Direction from the District Office regarding the proper accounting treatment for facilities fees has been provided to the College. However test work of activity during the 2008-2009 year was not sufficient to note the recommendations had been fully implemented. This will be followed up by the District external audit during the interim audit timeline.

Finding 2008-19: Significant Deficiency - The District has entered into various financial agreements related to the OPEB bond issuance. These agreements are sophisticated swap agreements with the purpose of minimizing the risks related to variable interest rates of the bonds. The District has hired outside consultants to provide for the management and direction of the swap agreements, however, has not accounted for the initial transaction or subsequent activity on the financial statements of the District. The ability of the District to properly report and manage the effect of the agreements was not demonstrated in the accounting ledgers. While the financial analysts have provided quarterly information to the Board for review, it is not clear that the ultimate transaction is transparent. Additionally, the District does not have in place a formal policy governing the use of derivatives.

Current Status: Partially Implemented: Through inquiry with the Vice Chancellor of Finance and Administration and observation of the activity through the OPEB investments, it was noted the swap arrangements are being called and divested. The District has stated there is no intention of continuing with the swap arrangements in the future and has hired an individual with expertise in the specialization of the derivative markets to monitor the remaining account until it is due.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Finding 2008-20: Significant Deficiency - Instances where aid was over- and under-awarded were found at all four campuses.

Current Status: Unable to Determine: The complete testing of the Student Financial Aid awarding and disbursement process will take place during the interim audit. Through inquiry with the College financial aid supervisors, they are aware of the issues and have committed resources to correct any deficiencies.

Finding 2008-21: *Significant Deficiency* - A significant deficiency exists within the reporting requirements of the EZ-Audit submission. EZ-Audit is a web application that provides colleges with a paperless, single point of submission for financial statements and compliance audits. Agencies receiving Federal student financial aid are required to access and submit the requested information within nine months of the fiscal year-end. We noted the EZ-Audit information was not submitted for the 2007 fiscal year-end until after the March 31, 2008, filing deadline.

Current Status: **Unable to Determine:** The deadline for the filing of the EZ audit is March 31 of each year. Through inquiry, processes are being put in place to gather the data as of the agreed-upon procedures interview date of March 27. We will follow up on this finding and the current status during our interim audit work.

Finding 2008-22: *Material Weakness* - The District did not furnish evidence verifying that it effectively monitored the grant's sub recipient for compliance with program performance. The sub recipient agreement does not contain key elements including:

- Program CFDA number
- Monitoring processes that the District will perform
- Require significant compliance documents be provided supporting that the sub recipient is complying with the program requirements

Current Status: **Implemented:** Through inquiry and observation with the District's General Counsel has updated the contracts with subrecipients and has a process in place to ensure the new contracts with agencies receiving Federal funds maintain compliance with the stated laws and regulations. The audit of the 2008-2009 year will again include this area for continued testing of the monitoring process.

Finding 2008-23: *Significant Deficiency* - The District does not have policies and procedures in place for the certification of potential contractor or subcontractor relationships involving Federal program dollars. Contracts in excess of \$25,000 are subject to the compliance requirement that the status of the entity is verified against the suspension and debarment eligibility requirements. The District does not currently monitor the Federal contracts for these requirements, nor do the contracts allow a vendor to self-certify they have not been excluded from working with Federal program grants.

Current Status: **Implemented:** Through inquiry with the District's General Counsel, an MOU has been put in place to ensure that vendors being awarded more than \$25,000 from Federal funding sources will self certify they have not been suspended, debarred, or otherwise excluded from receiving Federal funds. Additionally, the District staff will review the Excluded Parties List on a regular basis to ensure no vendors have been excluded from receiving Federal funds.

Finding 2008-24: *Significant Deficiency* - The District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with CTEA Perkins IV – Title I, Part C funds have not been identified as being used within the program. A physical inventory has been taken within the past two years; however, that inventory listing has not been reviewed to determine if equipment purchased with CTEA Perkins IV – Title I, Part C funds remains in use within the program.

Current Status: **In Process:** The implementation of the monitoring of equipment purchased with Federal funds is closely tied to the implementation of Finding 2008-5. The District is in the process of fully implementing the fixed asset module of PeopleSoft and the reporting of the equipment purchased with Federal funds has been integrated in the reporting of all capital assets. We will continue to test and monitor the results of the implementation during the 2008-2009 annual audit.

STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2008-25: *Significant Deficiency* - Apportionment may only be given to students actively enrolled in a course section as of the census date. Drop date rosters are not consistently received from instructors indicating the clearing of the roll prior to census date for each quarter. Students dropped as of census date are not segregated as 'no shows' and, therefore, all students may be claimed for apportionment credit. There is not a current report that allows the registrars the ability to see who has not turned in the census rosters in a timely manner.

Additionally, instructors may back date student drops after census day with no additional supporting documentation being received by the registrar's office.

Current Status: Implemented: Through inquiry with Admissions and Records staff and Vice Chancellor of Instruction, and observation of the new system, the District has implemented an online attendance system which will alert the Admissions and Records staff of any rosters that have not been turned in. Additionally, communications have been sent out to instructors with instructions as to the proper procedures. Testing of the system will take place during the interim audit period as the implementation has occurred between reporting terms for the College campuses.

Finding 2008-26: *Significant Deficiency* - Community college districts are required to report the total enrollment fee revenue amounts for the purpose of calculating the components of the annual general apportionment. The enrollment fee revenue reported on the CCFS-311 report does not agree with the amount reported on the CCFS-323 report. There is a difference of \$47,089 under-recorded on the CCFS-323 report.

Current Status: In Process: Through inquiry with the Vice Chancellor of Finance and Administration and the Associate Vice Chancellor of Business and Finance, the District is currently working with Ciber, Inc. consultants to ensure the coding of student enrollment fees is properly provided within the system. Additionally, the District Business Office is providing instruction as to the proper posting and reconciliation of the student enrollment fees for reporting on the CCFS-323 report.

Finding 2008-27: *Significant Deficiency* - The District does not have a procedure to determine if the principal of the K-12 school has verified that no more than five percent of the school's student enrollment has been recommended for entry at the College.

Current Status: Implemented: Through inquiry of Admissions and Records staff and observation of the District web site and printed materials, the online certification contains all elements necessary from the high school principal. Additionally, current printed materials also contain the required information. A notification will be sent to all high school campuses to use the updated correct forms and to destroy all previous copies as they are out of date. Continued testing of this area will take place during the interim audit period to ensure compliance and monitoring of the procedures.

Finding 2008-28: *Significant Deficiency* - The year-end expenditure reports for the CalWORKs program were due August 31, 2008. None of the District's four Colleges submitted their reports within the proper timeframe. The following is a breakdown of the dates the reports were signed for submission: Merritt College (not dated), Laney College (10/3/08), College of Alameda (9/12/08), and Berkeley City College (9/22/08). Also, the expenditures on the reports could not be verified to the general ledger amounts recorded for CalWORKs.

Current Status: In process: The College personnel do not have current access to budget reports which provide the detail accounting for the CalWORKs end of year reporting. Training by the Ciber, Inc. consultants has taken place on the query process of PeopleSoft. The District Business Office is continuing to work to provide accurate and timely data for the reporting process.

Finding 2008-29: *Significant Deficiency* - A sample of students receiving program services through the CalWORKs program was reviewed for each of the District's four Colleges. The following student eligibility problems were noted: The established procedure for student eligibility verification at Berkeley City College is to complete an eligibility form on an annual basis. However, the form is not consistently used, and program guidelines require the verification to be completed for each semester.

For the 25 student files reviewed at each campus, the following deficiencies were noted: Berkeley City College – five of the student files did not meet the minimum eligibility verification requirements; Laney College – one student file did not meet the minimum eligibility verification requirements; and Merritt College – 19 student files did not meet the minimum eligibility verification requirements.

Current Status: In Process: The Directors of the CalWORKs program at each of the four College campuses have met to determine how to better coordinate their efforts with regard to eligibility. These conversations and meetings are on-going; however, testing of this data cannot be completed until after the completion of the fiscal year.

Finding 2008-30: *Control Deficiency* - As noted in the prior year audit, the District has established a separate fund to account for the expenditures of lottery funds restricted for instructional materials; however, a separate account or subfund to account for the unrestricted revenue and related expenses of the unrestricted portion of the lottery funding had not been established. Expenses are designated as librarians and counselors salaries and benefits; however, the actual accounting in accordance with the above Education Code has not been maintained.

Current Status: Not Implemented: Through inquiry with the Associate Vice Chancellor of Business and Finance, the current account coding within PeopleSoft will not allow for the record keeping component included within the Education Code in the near future.

Each of these areas will be tested and reviewed again during the 2008-2009 Independent Audit process to ensure continued compliance, monitoring, and review of the areas questioned.

