

Audit Status Report

Issue: # 18 Merritt College Business Office Activity

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 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.

Recommendation

The College should review the current guidelines for receipt and use of monies that are General Fund monies to be deposited within the District accounts.

Action

1. The College President has directed that the Bursar's office cease and desist from this practice and,
2. Board policy relating to facility rentals has been explained to the Business Managers

Status: COMPLETED

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Issue: #11 Accounts Payable/ Purchasing Functions

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.

Recommendation

A review of the processes between the A/P and Purchasing functions should be made. Adequate segregation of duties should be re-established. A procedure manual for both departments should be written which provides guidance on the approved functions and responsibilities.

Action

Direct pay only done for utilities, travel and professional services, all other purchases routed through purchasing department.

Status: COMPLETED

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Issue: #8: Bursar's Office and Trust Fund Activity Reporting

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.

Recommendation

The Laney College Bursar's Office personnel should be trained on the types of funds to be deposited within the College Trust Fund.

Action

1. Restated district policy to college staff
2. Provided training to insure this will not occur again.

Status: COMPLETED

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Issue #3: Information Systems

Material Weakness:

Due to the implementation issues associated with the PeopleSoft accounting system, these key areas (Accounting, Purchasing and Payroll) 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.

Recommendation

- The controls in place within the software system should be reviewed and tested by an independent service providing and evaluated to ensure the adequacy.
- This review should encompass the controls specific for the transactions processed through the system and should include the security settings.
- The review should provide recommendations to correct any weaknesses noted within the internal control environment.

Action

1. By July 1st, will have CIO in place. Paper screening of 26 applicantes currently underway)
2. New CIO will implement final phase of PeopleSoft implementation:

• Business Intelligence	Up and running, continue to do programming necessary to review information
• Counseling Module	Have new proposal from Oracle to implement counseling module, in review
• Project Costing Module	On hold pending review of its value and necessity.

These must be done first.

3. Then the District will hire audit firm to complete a SAS70 review to assess internal controls of IT system

Status: IN PROCESS

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Issue #2: Oversight and Monitoring: Financial Accounting System Procedures

Material Weakness:

As noted in prior years' reports, the District implemented the PeopleSoft financial accounting system during the FY 2005-06 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. IT has been given access to all process activities and report writing in an effort to obtain financial information on a more timely basis. Posting of payroll transactions during the year was not completed on a timely basis. Reconciliations of the cash held in the county treasury to the general ledger was not completed on a monthly basis during the 2007-08 fiscal year and ultimately was not completed until January 2009.

Recommendation

- | | |
|--|---|
| <input type="checkbox"/> Continued training of the end users of the financial system on the functions, uses, and protocols of the PeopleSoft accounting software system must occur. | Training is in place and on-going |
| <input type="checkbox"/> Reports on financial activity must be prepared and accessible to the appropriate levels of management on a routine basis to provide the ability to analyze and reconcile accounts. | In-place |
| <input type="checkbox"/> Access by the Information Systems Department to process activity must be eliminated as soon as possible. | |
| <input type="checkbox"/> Adequate internal controls over all modules which allow for the review, approval and monitoring of all activity must be reinstated to ensure that all transactions occurring during the accounting period have been properly posted in a timely manner to the proper account and program. | In-place (part of the PeopleSoft approval process.) |

Action

1. Budget control errors corrected as a result of Position Control Module installation which now allows system users to view their budgets and expense reports.
2. We continue to develop customized queries, which makes it easier for people to access the information they need.
 - Customized queries are mostly business management queries to help them manage their budgets by fund and cost center.

Status:

IN PROCESS (CUSTOMIZATION)

Issue: #1, Oversight and Monitoring

Material Weakness:

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 plan.

Recommendation

The District should establish a procedure to quickly identify an appropriate corrective action plan, assign individuals responsibility for the implementation, and provide updates and analysis to the Audit Committee and the staff of the District.

Action

Every carry-over item from prior audits is included in this report.

Specific corrective actions are delineated below and appropriate managers have been assigned each carry-over item for implementation.

Status: **IMPLEMENTED**

Completed items:

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|---------------------------------------|---------------------------------------|--|--|--|--|
| <input checked="" type="checkbox"/> 1 | <input type="checkbox"/> 6 | <input checked="" type="checkbox"/> 11 | <input checked="" type="checkbox"/> 16 | <input checked="" type="checkbox"/> 21 | <input checked="" type="checkbox"/> 26 |
| <input type="checkbox"/> 2 | <input type="checkbox"/> 7 | <input checked="" type="checkbox"/> 12 | <input checked="" type="checkbox"/> 17 | <input checked="" type="checkbox"/> 22 | <input checked="" type="checkbox"/> 27 |
| <input type="checkbox"/> 3 | <input checked="" type="checkbox"/> 8 | <input checked="" type="checkbox"/> 13 | <input checked="" type="checkbox"/> 18 | <input checked="" type="checkbox"/> 23 | <input checked="" type="checkbox"/> 28 |
| <input checked="" type="checkbox"/> 4 | <input type="checkbox"/> 9 | <input checked="" type="checkbox"/> 14 | <input checked="" type="checkbox"/> 19 | <input type="checkbox"/> 24 | <input checked="" type="checkbox"/> 29 |
| <input type="checkbox"/> 5 | <input type="checkbox"/> 10 | <input checked="" type="checkbox"/> 15 | <input type="checkbox"/> 20 | <input checked="" type="checkbox"/> 25 | <input checked="" type="checkbox"/> 30 |