



**PERALTA COMMUNITY  
COLLEGE DISTRICT**

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SINGLE AUDIT REPORT

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**JUNE 30, 2010**

# PERALTA COMMUNITY COLLEGE DISTRICT

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**JUNE 30, 2010**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Peralta Community College District  
Oakland, California

We have audited the basic financial statements of Peralta Community College District (the District) as of and for the year ended June 30, 2010, which collectively comprise Peralta Community College District's basic financial statements and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Peralta Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peralta Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Peralta Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-13 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-14 through 2010-32 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Peralta Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Peralta Community College District in a separate letter dated December 30, 2010.

Peralta Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Peralta Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurimek, Time, Day & Co., LLP.*

Rancho Cucamonga, California  
December 30, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Peralta Community College District  
Oakland, California

**Compliance**

We have audited the compliance of Peralta Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Peralta Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Peralta Community College District's management. Our responsibility is to express an opinion on Peralta Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Peralta Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Peralta Community College District's compliance with those requirements.

As described in the table below and in the accompanying schedule of findings and questioned costs, the Peralta Community College District did not comply with requirements that are applicable to the following:

Compliance Requirement	Programs Name and Catalog of Federal Domestic Assistance (CFDA) Number	Finding Number
Allowable Costs	U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243), Regional Tech-Prep Coordination (CFDA #84.243), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Maximum Achievement Project (MAP) (CFDA #84.382A), Strengthening Institutions Program, Title III (CFDA #84.031A), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)	2010-2
Reporting	U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)	2010-3
Special Tests and Provisions - Separate Accountability for the American Recovery and Reinvestment Act (ARRA) Funding	U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)	2010-4
Equipment and Real Property Management	U.S. Department of Education, Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)	2010-5
Procurement, Suspension, and Debarment	U.S. Department of Education (DOE), Maximum Achievement Project (MAP) (CFDA #84.382A) Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243), Regional Tech-Prep Coordination (CFDA #84.243), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Strengthening Institutions Program, Title III (CFDA #84.031A), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)	2010-6

Compliance Requirement	Programs Name and Catalog of Federal Domestic Assistance (CFDA) Number	Finding Number
Special Tests and Provisions - Direct Loans	Student Financial Aid Cluster - Direct Loans (CFDA #84.268)	2010-7
Special Tests and Provisions - Return to Title IV	U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Direct Student Loans (CFDA #84.268), Federal Family Educational Loans (CFDA #84.032), and Academic Competitiveness Grant (CFDA #84.375)	2010-8
Cash Management	U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Work-Study Program (CFDA #84.033), and Academic Competitiveness Grant (CFDA #84.375)	2010-9

Compliance with such requirements is necessary, in our opinion, for Peralta Community College District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Peralta Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of Peralta Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Peralta Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Peralta Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-4 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-5 through 2010-9 to be significant deficiencies.

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of Peralta Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Peralta Community College District's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The schedule of expenditures of Federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peralta Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Peralta Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wavimer, Time, Day & Co., LLP.*

Rancho Cucamonga, California

March 17, 2011, except for the schedule of expenditures of Federal awards as to which the date is December 30, 2010.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS</b>			
Direct Funded Programs			
Student Financial Assistance Cluster			
Pell Grants	84.063		\$23,888,370
Pell Administration	84.063		106,252
Federal Supplemental Education Opportunity Grants	84.007		1,084,869
Federal Work Study Program	84.033		858,576
Academic Competitiveness Grant	84.375		152,995
Federal Direct Student Loans	84.268		2,109,069
Federal Family Education Loans	84.032		1,349,580
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>29,549,711</u>
Maximum Achievement Project (MAP)	84.382A		699,875
Strengthening Institutions Program, Title III	84.031A		482,561
Passed through the California Community College Chancellor's Office			
State Fiscal Stabilization Fund (SFSF)	84.394	[1]	728,386
Carl D. Perkins - Career and Technical Education Act (CTEA)			
Title I, Part C	84.048	10-C01-041	975,339
Tech-Prep Education, Title II	84.243	09-139-340	251,539
Passed through the California Department of Education			
Carl D. Perkins - Career and Technical Education Act (CTEA)			
Regional Tech-Prep Coordination	84.243	CN088316	57,634
Passed through the California Department of Rehabilitation			
Vocational Rehabilitation Cluster			
Rehabilitation Services - Vocational Rehabilitation			
Grants to States	84.126	27372	334,024
ARRA Rehabilitation Services - Vocational Rehabilitation			
Grants to States	84.390	27453A	41,063
TOTAL VOCATIONAL REHABILITATION CLUSTER			<u>375,087</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>33,120,132</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education			
Child Care and Adult Food Program	10.558	1912-4A	85,936
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Federal Bureau of Justice Assistance	16.000		2,160
<b>U.S. DEPARTMENT OF LABOR</b>			
Direct Funded			
Workforce Investment Act (WIA) Community Based			
Job Training Grants	17.269		257,744
Workforce Investment Act (WIA) Cluster			
Passed through the State of California, EDD			
ARRA WIA - Green Jobs	17.258	R975684	127,967
ARRA WIA - Adult	17.258	K076833	96,768
ARRA WIA Adult - Clean Energy Project	17.258	K076833	37,223

[1] Pass-Through Identifying Number not available.

See accompanying note to Schedule of Expenditures of Federal Awards.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010, CONTINUED**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF LABOR, continued</b>			
Passed through the County of Alameda			
WIA Adult - One Stop Career Center (includes ARRA)	17.258	SSGPCP091000011	\$ 197,365
TOTAL Workforce Investment Act (WIA) CLUSTER			<u>459,323</u>
Passed through the State of California, EDD			
WIA Pilot (CalGrip)	17.261	R973861	288,385
TOTAL U.S. DEPARTMENT OF LABOR			<u>1,005,452</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Direct Funded			
Environmental Control Technology Education	47.076		<u>251,996</u>
<b>SMALL BUSINESS ADMINISTRATION</b>			
Passed through Humboldt State University			
Small Business Development Center	59.037	F50506	<u>455,940</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed through the State of California, EDD			
ARRA WIA Clean Energy - ECA	81.041	K076833	<u>137,341</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the California Community College Chancellor's Office			
Temporary Assistance for Needy Families	93.558/93.714	[1]	224,996
Passed through the Foundation for California Community Colleges			
Temporary Assistance for Needy Families			
- Child Development Careers	93.558	0810-24	33,702
Passed through the Yosemite Community College District			
Child Development Training Consortium	93.575	09-10 - 4170	9,143
Passed through the City of Oakland			
ARRA - Community Services Block Grant	93.710	82405	21,135
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>288,976</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct Funded			
Americorp	94.004		112,327
TOTAL FEDERAL EXPENDITURES			<u>\$35,460,260</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to Schedule of Expenditures of Federal Awards.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2010

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Peralta Community College District (the District). The District's reporting entity is defined in Note 2 of the notes to the District's basic financial statements. All financial assistance received directly from the Federal agencies, as well as Federal financial assistance passed through other government agencies to the District is included in the accompanying schedule.

#### **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the District's proprietary funds, which are presented using the accrual basis of account, which is described in Note 2 to the District's basic financial statements.

#### **Relationship to Annual Financial Statements**

Federal awards expenditures agree or can be reconciled with the amounts reported in the District's basic financial statements.

#### **Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in related Federal financial reports.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>

Unqualified for all major programs except for the following programs which were qualified:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.375, 84.268, 84.032	Student Financial Assistance Cluster
84.382A	Maximum Achievement Project (MAP)
84.031A	Strengthening Institutions Program, Title III
84.048	Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C
84.243	Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II
84.243	Carl D. Perkins - Career and Technical Education Act (CTEA) Regional Tech-Prep Coordination
17.258 (including ARRA)	Workforce Investment Act (WIA) Cluster (includes ARRA)
59.037	Small Business Development Center

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.375, 84.268, 84.032	Student Financial Assistance Cluster
84.382A	Maximum Achievement Project (MAP)
84.031A	Strengthening Institutions Program, Title III
84.394	State Fiscal Stabilization Fund (SFSF)
84.048	Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C
84.243	Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II
84.243	Carl D. Perkins - Career and Technical Education Act (CTEA) Regional Tech-Prep Coordination
84.126 and 84.390 (including ARRA)	Vocational Rehabilitation Cluster
17.258 (including ARRA)	Workforce Investment Act Cluster (WIA) (includes ARRA)
59.037	Small Business Development Center

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### MATERIAL WEAKNESSES

#### 2010-1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

##### Criteria or Specific Requirement

Circular A-133 requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by Federal agency.
- Include, for Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

##### Condition

*Material Weakness* - A complete SEFA was prepared by the District for the Federal categorical programs; however, we noted several errors and omissions in the initial reporting. Federal programs were reported as State Categorical Programs. There were also some errors noted within the recordings of the total revenue and expenditures. All errors noted required post closing audit adjustments.

##### Questioned Costs

None.

##### Context

During the current fiscal year, the District reported approximately \$35.5 million of Federal expenditures on the SEFA.

##### Effect

Without proper control in place over the reporting of Federal awards, the District is at risk of losing future funding for those programs and/or may have to repay funds back to the grantor that were already received.

##### Cause

Procedures and controls over the collection of data to be included in the SEFA are currently not in place.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Recommendation**

We recommend that the District review its procedures over the collection of data to be included in the SEFA and also review its existing format of its SEFA to ensure that it includes all above noted required elements.

### **Management Response and Corrective Action Plan**

The District will review its procedures and format over the collection of data to be included in the SEFA to ensure that it includes the required elements.

## **2010-2 TIME AND EFFORT REPORTING**

### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243), Regional Tech-Prep Coordination (CFDA #84.243), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Maximum Achievement Project (MAP) (CFDA #84.382A), Strengthening Institutions Program, Title III (CFDA #84.031A), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)

### **Compliance Requirement**

Allowable Costs

### **Criteria or Specific Requirement**

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule, OMB Circular A-110 (2 CFR Section 215.27), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. Cost principles are contained in:

**OMB Circular A-21, "Cost Principles for Educational Institutions" (2 CFR part 220)** - All institutions of higher education are subject to the cost principles contained in OMB Circular A-21, which incorporates the four Cost Accounting Standards Board (CASB) Standards and the Disclosure Statement (DS-2) requirements, as described in OMB Circular A-21, Sections C.10 through C.14 and Appendices A and B.

### **Condition**

*Material Weakness* - Individuals working within the program have not certified the actual time spent working within the Federal programs. Time studies have not been completed for individuals who work either full-time or part-time on the program as required by OMB.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Questioned Costs**

Subsequent to the audit procedures being performed, the District was able to obtain after the fact confirmation to support the costs charged to the Federal programs. No questioned costs are noted.

### **Context**

A significant amount of the Federal expenditures related to these programs are derived from payroll costs. While the salaries appear to be reasonable and necessary for the program objectives, the District did not provide required supporting documentation as outlined in the A-21 Circular. Further, there does not appear to be adequate policies and procedures necessary to support that the District has controls over compliance objectives.

### **Effect**

Without the time studies and certifications, the program managers are not able to effectively monitor that individuals are being appropriately charged to the Federal grant.

### **Cause**

Procedures and controls over compliance do not clearly specify how the time certification process should be completed or the process for the review of the certifications.

### **Recommendation**

The District should have all individuals working on any Federal program certify their time as required by OMB.

### **Management Response and Corrective Action Plan**

The District will better assess the compliance risks to better develop appropriate compliance objectives and necessary controls.

## **2010-3 FINANCIAL REPORTING**

### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), U.S. Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA #17.258)

### **Compliance Requirement**

Reporting

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### Criteria or Specific Requirement

The District is required to report to the oversight agency, on a quarterly basis, the activity for CTEA Title I C, CTEA Tech-Prep Education and the Small Business Development Center. The District is required to report to the oversight agency, on a monthly basis, the activity for the WIA Cluster.

### Condition

*Material Weakness* - CTEA Title I, Part C - The District's quarterly interim reports submitted during the year did not agree to the financial activity reported in the general ledger. Additionally, we noted the 2<sup>nd</sup> quarter report to the agency was not submitted within the timeframe required by the oversight agency.

*Material Weakness* - CTEA Tech-Prep Education, Title II - The District's quarterly interim reports submitted during the year did not agree to the financial activity reported in the general ledger. Additionally, we noted the 2<sup>nd</sup> and 3<sup>rd</sup> quarter reports did not meet the percentage of the total allocation required to be expended.

*Material Weakness* - Small Business Development Center - The District's quarterly reports submitted during the year were not submitted within the timeframe required by the oversight agency.

*Material Weakness* - ARRA WIA - Green Jobs, ARRA WIA - Adult, ARRA WIA Adult - Clean Energy Project, and WIA Adult - One Stop Career Center - During the 2009-2010 fiscal year, the District did not submit any monthly financial reports for three of the four WIA programs. Quarterly financial reports were submitted for the WIA One Stop Career Center; however, contract guidelines stipulate monthly reports are required. The monthly performance reports required to be submitted for the Clean Energy Project were not submitted by the required due date as indicated by the oversight agency. Furthermore, supporting documentation is not retained and was regenerated upon request. As a result, the supporting documents did not accurately support the performance reports.

### Questioned Costs

None.

### Context

All four quarterly reporting periods were tested for CTEA Title I, Part C and CTEA Tech-Prep Education, Title II. Two quarterly reports were tested for the Small Business Development Center and the WIA One Stop Career Center. Three monthly performance reports were tested for the WIA Adult - Clean Energy Project. No monthly reports were tested for ARRA WIA - Green Jobs, ARRA WIA - Adult, and ARRA WIA Adult - Clean Energy Project as the required reports were not submitted for the 2009-2010 fiscal year.

### Effect

Allocations of Federal funds through the oversight agency may be impacted when reports are incomplete, inaccurate, or untimely.



# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Cause**

The District did not have readily available financial information. It appears that there is not adequate oversight of the reporting timelines.

### **Recommendation**

A reporting calendar should be used to document timelines for reporting. Supervisory personnel should monitor the reporting timelines. Each report should be reviewed to verify that it is supported by actual costs recorded in the financial system.

### **Management Response and Corrective Action Plan**

A reporting calendar will be used to document timelines for reporting. Supervisory personnel will monitor the reporting timelines. Every report will be reviewed to verify that it is supported by actual costs recorded in the financial system.

## **2010-4 SEPARATE ACCOUNTABILITY FOR THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDING**

### **Federal Program Affected**

WIA Adult Program, ARRA WIA Adult Program, WIA Dislocated Workers, and ARRA WIA Dislocated Workers, within the WIA Cluster, U.S. Department of Labor, pass through from the County of Alameda (CFDA #17.258, CFDA #17.260)

### **Compliance Requirement**

Special Tests and Provisions

### **Criteria or Specific Requirement**

2 CFR section 176.210, Federal agencies must require recipients to (1) agree to maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipients, and document at the time of the subaward and disbursement of funds; and (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### Condition

*Material Weakness* - During the audit of ARRA funds, we noted expenditures of ARRA funds were not accounted for separately from expenditures of non-ARRA funds which resulted in the following:

- The District's accounting records could not distinguish from \$197,365 of total program expenditures, which costs were funded with ARRA funds.
- The District reported on the SEFA expenditures of WIA Adult - One Stop Career Center (including ARRA) awards of \$197,365; however, the reported ARRA expenditures were not supported by accounting records. The District's accounting records only supported the \$197,365 of total program expenditures, but no separate accounting was performed to accurately report expenditures of ARRA awards and non-ARRA funds.

### Questioned Costs

\$197,365 - The amount of the expenditures for the WIA Adult - One Stop Career Center (including ARRA) Program.

### Context/Cause

Isolated instance - We noted the District did not separate account expenditures of ARRA funds from expenditures of non-ARRA funds only in this program.

### Effect

Without a separate accounting of ARRA funds, expenditures cannot be tested to determine if provisions of ARRA have been followed, and ARRA funds cannot be separately identified on the SEFA.

### Recommendation

We recommend that the District develop separate program codes for all ARRA awards in order to ensure expenditures of ARRA funds are accounted for separately from expenditures of non-ARRA funds.

### Management Response and Planned Corrective Action

The District will establish separate accounts for the accounting of all Federal ARRA funds in the future.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### 2010-5 EQUIPMENT MANAGEMENT

#### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

#### **Compliance Requirement**

Equipment and Real Property Management

#### **Criteria or Specific Requirement**

OMB Circular A-110, Subpart C, Section 34 (3) and (4) requires a physical inventory of equipment purchased with Federal grant dollars every two years and requires a system of internal controls to adequately safeguard the equipment and prevent loss or damage to the equipment.

#### **Condition**

*Significant Deficiency* - The District has not maintained an inventory control system that satisfies the compliance criteria noted above.

#### **Questioned Costs**

None.

#### **Context**

During the current fiscal year, the District spent approximately \$198,000 on capital outlay.

#### **Effect**

Equipment purchased through the program may not be properly safeguarded and maintained for use within the program.

#### **Cause**

The District has not implemented policies and procedures to ensure compliance with Federal requirements.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Recommendation**

A physical inventory of the federally purchased equipment should be taken on a bi-annual basis and reconciled with records of purchases of the equipment. Written procedures should be prepared that provide evidence of appropriate controls over inventory. The inventory results should be assessed by appropriate administrators to ensure that equipment purchased through the Federal programs is safeguarded and accounted for.

### **Management Response and Corrective Action Plan**

A physical inventory of the federally purchased equipment will be taken on a bi-annual basis and reconciled with records of purchases of the equipment. Written procedures will be prepared that provide evidence of appropriate controls over inventory. The inventory results will be assessed by the appropriate administrators to ensure that equipment purchased through the Federal programs is safeguarded and accounted for in a timely manner.

## **2010-6 PROCUREMENT, SUSPENSION, AND DEBARMENT**

### **Federal Program Affected**

U.S. Department of Education (DOE) Maximum Achievement Project (MAP) (CFDA #84.382A), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II, Regional Tech-Prep Coordination (CFDA #84.243), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), and Strengthening Institutions Program, Title III (CFDA #84.031A), Small Business Administration (SBA), Small Business Development Center (CFDA #59.037), Department of Labor (DOL), Workforce Investment Act Cluster (WIA) (CFDA# 17.258)

### **Compliance Requirement**

Procurement, Suspension, and Debarment

### **Criteria or Specific Requirement**

*Title 34 - Education, Part 80 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - Subpart C - Pre-Award Requirements, Section 80.35. OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension.*

### **Condition**

*Significant Deficiency* - The District does not have policies and procedures in place necessary to ensure that the District is not violating Federal suspension and debarment regulations.

### **Questioned Costs**

None.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Context**

The OMB created compliance requirements in response to Executive Orders 12549 and 12689. These Executive Orders prohibit non-Federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Though the District is not the primary contractor, it acts as the fiscal agent on behalf of the State and is responsible for disbursing Federal awards to other governmental agencies and vendors.

### **Effect**

The District is not in compliance with the regulations.

### **Cause**

While no evidence was found that indicates that any of the parties contracted with during the year for services were suspended or debarred, the District failed to recognize and appropriately develop policies and procedures to comply with the regulations.

### **Recommendation**

The District must verify that entities contracted with for services are not suspended or debarred or otherwise excluded from providing services. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction which states the entity is not suspended or debarred. The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

### **Management Response and Corrective Action Plan**

The District has monitored the grant sub recipients for compliance with program performance since December 2009. Signed MOUs have been received from the five campuses that participated in the Tech-Prep grant. In addition, time and effort verification has been completed District-wide for all 2008-2009 awards and forward. The Director of Grants and Workforce Development will continue to ensure compliance.

## **2010-7 DIRECT LOANS**

### **Federal Program Affected**

Student Financial Aid Cluster - Direct Loans (CFDA #84.268)

### **Compliance Requirement**

Special Tests and Provisions - Direct Loans

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### Criteria or Specific Requirement

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303). (Note: The *Direct Loan School Guide* and yearly training documents describe the reconciliation process.)

### Condition

*Significant Deficiency* - Merritt College was not reconciling the School Account Statement data file and the Loan Detail records to the financial records.

### Questioned Costs

No questioned costs.

### Context

Merritt College began to disburse direct loans in September 2009. It was noted that the records were not reconciled for any of the months that direct loans were disbursed.

### Effect

Without proper monitoring of Direct Loan disbursements, the District risks noncompliance with 34 CFR sections 685.102(b), 685.301, and 685.303.

### Cause

The College has not implemented policies and procedures to verify that the School Account Statement data file and the Loan Detail records per the COD are reconciled to Merritt College's financial records.

### Recommendation

It is recommended that the District implement procedures to ensure that the School Account Statement data file and the Loan Detail records per the COD are reconciled to Merritt College's financial records.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### Management Response and Corrective Action Plan

It should be noted that all Peralta Colleges have migrated to Federal Direct Loans (DL). With this process, the Financial Aid SAFE system is now the mechanism for DL reconciliation. Colleges no longer disburse or reconcile using any outside mechanism. DL originations are submitted through SAFE; origination records are accepted; and funds are disbursed through SAFE and reconciled directly to COD via FTP of SAFE DL files.

### 2010-8 RETURN TO TITLE IV

#### Federal Program Affected

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Direct Student Loans (CFDA #84.268), Federal Family Educational Loans (CFDA #84.032), and Academic Competitiveness Grant (CFDA #84.375)

#### Compliance Requirement

Special Tests and Provisions - Return to Title IV

#### Criteria or Specific Requirement

34 CFR 668.22(j): The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

#### Condition

*Significant Deficiency* - During our review of the requirements for Return to Title IV at the Berkeley, Merritt, and College of Alameda campuses, it was noted that in some instances, the Colleges did not return the Federal funds within the 45 day requirement.

#### Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

#### Context

Of the students selected for testing that were required to return funds to the Department of Education, we noted 12 students that did not meet the 45 day requirement.

#### Effect

The District is not in compliance with the Federal Return to Title IV requirements.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

---

### **Cause**

The Colleges have not implemented policies and procedures to monitor the Return of Title IV funds.

### **Recommendation**

Accounting policies should be developed that provide uniform calculation procedures for each of the Colleges that provides for the return of the institutional share of Return to Title IV calculations. Further, routine timelines for running reports to identify students who withdrew should be included in the policies. Records should include support that the reports are run in a timely manner and provide evidence that all students who have completely withdrawn are identified and a calculation performed.

### **Management Response and Corrective Action Plan**

Accounting policies will be developed that provide uniform calculation procedures for each of the Colleges that provides for the return of the institutional share of Return to Title IV calculations. Timelines for running reports to identify students who withdrew will be included in the policies. Records will include support that the reports are run in a timely manner and provide evidence that all students who have completely withdrawn are identified and a calculation performed.

## **2010-9 FEDERAL DRAW DOWNS**

### **Federal Program Affected**

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Work Study (CFDA #84.033), and Academic Competitiveness Grant (CFDA #84.375)

### **Compliance Requirement**

Cash Management

### **Criteria or Specific Requirement**

Under the advanced method, the District request must not exceed the amount immediately needed to disburse funds to students or parents.

### **Condition**

*Significant Deficiency* - The District does not have in place a policy over drawing down Federal funds. The District also does not have an effective control to ensure that all draw downs are reviewed and approved by an individual other than the person responsible for requesting the draw downs.



# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Questioned Costs**

There are no questioned costs related to this finding due to the District not being allowed to exceed their allocated amount for student financial aid.

### **Context**

During the 2009-2010 fiscal year, the District drew down approximately \$29 million.

### **Effect**

The District can be placed on the reimbursement method where the funds will have to be approved by the awarding agency prior to being able to draw down any funds.

### **Cause**

The District has not adopted a policy over drawing down Federal funds.

### **Recommendation**

The District should adopt a policy that determines the procedure for drawing down Federal funds. The District should implement a control to ensure proper segregation of duties over drawing down funds and verify that the amount is reviewed and approved.

### **Management Response and Corrective Action Plan**

The District will adopt a policy/administrative regulation that determines the procedure for drawing down Federal funds. The District will implement a control to ensure proper segregation of duties over drawing down funds and verifying that the amount is reviewed and approved.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

### 2009-31 A-133 REPORTING

#### **Federal Program Affected**

All Federal programs

#### **Compliance Requirement**

Circular A-133 Reporting

#### **Criteria or Specific Requirement**

Districts must have the audit completed and the data collection form submitted within the earlier of thirty days after receipt of the auditors' report or nine months after the end of the audit period.

#### **Condition**

*Material Weakness* - The District failed to submit their OMB Circular A-133 audit report and their data collection form prior to the due date.

#### **Questioned Costs**

None.

#### **Context**

The District expended over \$23 million in Federal monies in the 2008-2009 fiscal year.

#### **Effect**

The District is out of compliance with Federal compliance requirements. Reporting of the expenditures to the various agencies is impaired, and the District's future Federal awards may be reduced.

#### **Cause**

The District had not closed its financial ledgers in a timely manner, and the audit had not been completed within nine months of the end of the fiscal year.

#### **Recommendation**

The District should implement a reporting calendar that provides for timely closing of the District financial ledgers and completion of the audit and related required filings.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Current Status**

Implemented.

**2009-32 RETURN TO TITLE IV**

**Federal Program Affected**

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Direct Student Loans (CFDA #84.268), Federal Family Educational Loans (CFDA #84.032), and Academic Competitiveness Grant (CFDA #84.375)

**Compliance Requirement**

Special Tests - Return to Title IV

**Criteria or Specific Requirement**

34 CFR 668.22(j): The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

**Condition**

*Material Weakness* - The Student Financial Aid Offices at the four Colleges did not complete the Return to Title IV calculations during the fall term for 2008-2009. Two of the Colleges (Merritt and Vista) were unable to complete the calculations in the spring term.

**Questioned Costs**

None.

**Context**

The District provided over \$16.1 million of Pell grant aid during the year.

**Effect**

The District is not in compliance with the Federal Return to Title IV requirements.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Cause**

The District encountered problems while implementing a new financial aid system that prevented them from disbursing aid and reporting within the required time frame. This also impaired the College's compliance with Return to Title IV. Further, we found that there were not uniform calculation procedures in place.

### **Recommendation**

Accounting policies should be developed that provide uniform calculation procedures for each of the Colleges that provides for the return of the institutional share of Return to Title IV calculations. Further, routine timelines for running reports to identify students who withdrew should be included in the policies. Records should include support that the reports are run in a timely manner and provide evidence that all students who have completely withdrawn are identified and a calculation performed.

### **Current Status**

Not implemented. See current year finding 2010-8.

## **2009-33 STUDENT FINANCIAL AID REPORTING**

### **Federal Program Affected**

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Work Study Program (CFDA #84.033), Federal Family Educational Loans (CFDA #84.032), Academic Competitiveness Grant (CFDA #84.375), and Federal Direct Student Loans (CFDA #84.268)

### **Compliance Requirement**

Special Tests - EZ-Audit Filing

### **Criteria or Specific Requirement**

Each College is required to annually submit its compliance audit data and summary financial data via an internet web form to [www.IFAP.ed.gov](http://www.IFAP.ed.gov) to the Department of Education.

### **Condition**

*Material Weakness* - 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 2009 fiscal year end until after the March 31, 2010, filing deadline.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Questioned Costs**

None.

### **Context**

The District's student financial aid expenditures of over \$19.9 million have not been reported to the Department of Education.

### **Effect**

By not submitting the financial statement and compliance information required by the EZ-Audit to the Department of Education, the District's four Colleges are out of compliance with the reporting and special testing components of the Federal grants.

### **Cause**

Financial reporting for the District has been delayed due to issues noted in findings 2009-1 through 2009-53.

### **Recommendation**

The District should implement procedures to provide the College Student Financial Aid Offices with the required information and timelines to submit the appropriate reports to the Department of Education. The College Student Financial Aid Offices should develop appropriate procedures to ensure the EZ-Audit is completed in a timely manner, reviewed, and submitted as required.

### **Current Status**

The EZ-Audit is required to be submitted to the Department of Education by March 31, 2011. The District is implementing procedures to meet this deadline.

## **2009-34 EQUIPMENT MANAGEMENT**

### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

### **Compliance Requirement**

Equipment Management

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Criteria or Specific Requirement

OMB Circular A-110, Subpart C, Section 34 (3) and (4) requires a physical inventory of equipment purchased with Federal grant dollars every two years and requires a system of internal controls to adequately safeguard the equipment and prevent loss or damage to the equipment.

### Condition

*Material Weakness* - The District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with CTEA Title I, Part C funds have not been identified as being used within the program. Equipment purchased with Federal dollars is defined at the \$500 cost level.

### Questioned Costs

None.

### Context

During the current fiscal year, the District spent approximately \$292,000 on capital outlay.

### Effect

Equipment purchased through the program may not be properly safeguarded and maintained for use within the program.

### Cause

The District has not implemented policies and procedures to ensure compliance with Federal requirements.

### Recommendation

A physical inventory of the federally purchased equipment should be taken on a bi-annual basis and reconciled with records of purchases of the equipment. Written procedures should be prepared that provide evidence of appropriate controls over inventory. The inventory results should be assessed by appropriate administrators to ensure that equipment purchased through the Federal programs is safeguarded and accounted for.

### Current Status

Not implemented. See current year finding 2010-5.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### SIGNIFICANT DEFICIENCIES

#### 2009-35 PROCUREMENT, SUSPENSION, AND DEBARMENT

##### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II, Regional Tech-Prep Coordination (CFDA #84.243) and Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

##### **Compliance Requirement**

Procurement, Suspension, and Debarment

##### **Criteria or Specific Requirement**

*Title 34 - Education, Part 80 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - Subpart C - Pre-Award Requirements, Section 80.35. OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension.*

##### **Condition**

*Significant Deficiency* - The District does not have policies and procedures in place necessary to ensure that the District is not violating Federal suspension and debarment regulations.

##### **Questioned Costs**

None.

##### **Context**

The OMB created compliance requirements in response to Executive Orders 12549 and 12689. These Executive Orders prohibit non-Federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Though the District is not the primary contractor, it acts as the fiscal agent on behalf of the State and is responsible for disbursing Federal awards to other governmental agencies and vendors.

##### **Effect**

The District is not in compliance with the regulations.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Cause

While no evidence was found that indicates that any of these parties contracted with during the year for services are suspended or debarred, the District failed to recognize and appropriately develop policies and procedures to comply with the regulations.

### Recommendation

The District must verify that entities contracted with for services are not suspended or debarred or otherwise excluded from providing services. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction which states the entity is not suspended or debarred. The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

### Current Status

Not implemented. See current year finding 2010-6.

## 2009-36 SUBRECIPIENT MONITORING

### Federal Program Affected

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Regional Tech-Prep Coordination (CFDA #84.243) (California Department of Education Agreement #CN088316)

### Compliance Requirement

Subrecipient Monitoring  
24 CFR 84 §84.51 Monitoring and Reporting Program Performance

### Criteria or Specific Requirement

Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in §84.26.



# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Condition

*Significant Deficiency* - The District did not furnish evidence verifying that it effectively monitored the grant's subrecipient for compliance with program performance. The subrecipient 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 subrecipient is complying with the program requirements

### Questioned Costs

Funding to the subrecipients totaled \$155,500. While no evidence was noted of noncompliance at the subrecipient level, the District is at risk that material noncompliance with grant requirements would go undetected without adequate monitoring and documentation.

### Context

The District acts as a fiscal agent on behalf of the State and provides Federal award funding to agencies through the Tech Prep Program. The conditions were systematic in nature and appear to have been preventable by adhering to OMB Circular A-133 guidance.

### Cause

This is a condition reported in the previous year. Corrective action was not performed in a timely manner and continues.

### Effect

The lack of monitoring and documentation of the subrecipient's compliance with guidelines puts the District at risk of continued noncompliance and possible funding reductions.

### Recommendation

The District needs to better understand timelines for corrective action and implement calendars for correction timelines. Additionally, the subrecipient agreements must be reviewed and changed to include all required notices, terms, and conditions for the subrecipient.

### Current Status

This compliance requirement is not applicable to the District due to the District no longer receiving funds through the program.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### 2009-37 STUDENT FINANCIAL AID ELIGIBILITY

#### Federal Program Affected

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Pell Grant Program (CFDA #84.063) and Federal Work Study Program (CFDA #84.033)

#### Compliance Requirement

Eligibility

#### Criteria or Specific Requirement

The institution must review and document each student's eligibility before it disburses Federal funds to students for each payment period.

- 34 CFR Sections 690.61, 690.75 through 690.78, and 668.164(g)
- CCR, Title 5, Sections 58003.1, 58004, 58005, and 58051
- California Community Colleges *Student Attendance Accounting Manual (SAAM)*, pages 1.02-1.04

#### Condition

*Significant Deficiency* - Instances where aid was over awarded/disbursed were found at three of the four campuses.

#### Questioned Costs

College	Program	Amount	Over/Under	Reason
Merritt	Pell	\$ 995	Over	Student received payment that was not recorded in financial aid system.
Berkeley City	Pell	\$ 7,546	Over	Two students did not have high school diplomas and did not pass an Ability to Benefit test.
Alameda	FWS	\$ 1,601	Over	Work Student program disbursements resulted in the total awarded to exceed the student need.
Total		\$10,142		

#### Context

We tested a total of 159 student files at the four College campuses for Pell, FSEOG, FFEL, and ACG programs. For each student, we examined all the aggregate total awards from all programs to assess if the awards were less than or equal to the student overall need. The test included all funding sources Federal, State, and local. The number of errors noted equaled four.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### Effect

The total questioned cost is \$10,142.

### Cause

Errors result from the challenges of packaging aid and reporting within the District systems in a year when a new system implementation failed. The financial aid departments operated in crisis conditions during much of the fiscal period.

### Recommendation

Student financial aid files must be carefully reviewed for all components of eligibility. Routine schedules should be developed, reviewed, and reconciled by program directors on a regular basis to track financial aid awards.

### Current Status

Implemented.

## 2009-38 STUDENT FINANCIAL AID VERIFICATION

### Federal Program Affected

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Work Study Program (CFDA #84.033), Federal Family Educational Loans (CFDA #84.032), Academic Competitiveness Grant (CFDA #84.375), and Federal Direct Student Loans (CFDA #84.268)

### Compliance Requirement

Verification

### Criteria or Specific Requirement

An institution may participate under an ED-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. (20 USC 1094a; HEA section 487A) (*FSA Handbook 2009-2010 Application and Verification Guide*, page AVG-82 <http://ifap.ed.gov/fsahandbook/attachments/0910AVG.pdf>). An institution not participating under an ED-approved QAP is required to establish written policies and procedures that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Condition**

*Significant Deficiency* - Berkeley City College did not verify the required minimum number of students.

### **Questioned Costs**

None.

### **Context**

The College opted not to verify all the students selected by the processor for verification and instead elected to verify only the required minimum. Having made this election, the College was required to appropriately demonstrate that it met the 30 percent requirement. The definition of applicant should consider all Institutional Student Information Records (ISIR) that the College was provided or the number of students awarded as reported in the FISAP.

### **Effect**

The verification processes supports eligibility determinations. Ineligible students may have been awarded.

### **Cause**

The College made a decision based on advice of a consultant in crisis conditions that existed during a failed implementation of a new financial aid system. They did not appropriately determine the required minimum based on their own definition of the number of applicants.

### **Recommendation**

Berkeley City College should reconsider its approach to verification and develop a business process that provides a clear calculation of the numbers verified if it plans to only verify the minimum required.

### **Current Status**

Implemented.

## **2009-39 STUDENT FINANCIAL AID PELL DISBURSEMENTS**

### **Federal Program Affected**

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Pell Grant Program (CFDA #84.063)

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Compliance Requirement**

Pell Disbursements

### **Criteria or Specific Requirement**

Pell Payment Data (OMB No. 1845-0039): All schools receiving Pell grants submit Pell payment data to the Department of Education through the Common Origination and Disbursement (COD) System.

### **Condition**

*Significant Deficiency* - The Pell Payment Data of sixty-two (62) students was not reported to the Department of Education through the COD within thirty (30) calendar days after the actual disbursement date.

### **Questioned Costs**

None. The Pell grant was disbursed to the students.

### **Context**

The District disbursed over \$16.1 million in Pell payments to students during the year ended June 30, 2009.

### **Effect**

The Pell payment data was not reported to the Department of Education through the COD system in a timely manner.

### **Cause**

The District encountered problems while implementing a new financial aid system that prevented them from disbursing aid to students and reporting the payments to COD within the required time frame.

### **Recommendation**

The District should provide greater oversight of reporting problems and allocate appropriate resources where necessary to help the Colleges meet the requirements for timely reporting.

### **Current Status**

Implemented.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### 2009-40 TIME AND EFFORT REPORTING

#### Federal Program Affected

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

#### Compliance Requirement

Allowable Costs

#### Criteria or Specific Requirement

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule, OMB Circular A-110 (2 CFR section 215.27), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. Cost principles are contained in:

**OMB Circular A-21, "Cost Principles for Educational Institutions" (2 CFR part 220)** – All institutions of higher education are subject to the cost principles contained in OMB Circular A-21, which incorporates the four Cost Accounting Standards Board (CASB) Standards and the Disclosure Statement (DS-2) requirements, as described in OMB Circular A-21, sections C.10 through C.14 and Appendices A and B.

#### Condition

*Significant Deficiency* - The District did not provide support as described in the A-21 Circular in support of wages charged to the program.

#### Questioned Costs

None.

#### Context

We sampled 10 employees, including administrators and faculty, that represent approximately 25 percent of the salaries charged to the grant. While the salaries appear to be reasonable and necessary for the program objectives, the District did not provide required supporting documentation as outlined in the A-21 Circular. Further, there does not appear to be adequate policies and procedures necessary to support that the District has controls over compliance objectives.

#### Effect

Without effective controls, unreasonable expenditures may be charged to the grant.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Cause**

Procedures and controls over compliance do not clearly specify how the time certification process should be completed.

**Recommendation**

The District needs to better assess compliance risks to better develop appropriate compliance objects and necessary controls.

**Current Status**

Not implemented. See current year finding 2010-2.

**2009-41 FINANCIAL REPORTING**

**Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048) and Carl D. Perkins - Career and Technical Education Act (CTEA) Tech-Prep Education, Title II (CFDA #84.243) (Grant Agreement #08-139-052)

**Compliance Requirement**

Reporting

**Criteria or Specific Requirement**

The District is required to report to the oversight agency, on a quarterly basis, the activity through the program.

**Condition**

*Significant Deficiency* - CTEA Title I, Part C - The District's quarterly interim reports submitted during the year did not agree to the financial activity reported in the general ledger. Additionally, we noted the 1<sup>st</sup> and 2<sup>nd</sup> quarter reports to the agency were not submitted within the timeframe required by the oversight agency.

*Significant Deficiency* - CTEA Tech-Prep Education, Title II - The District's quarterly interim reports submitted during the year did not agree to the financial activity reported in the general ledger. Additionally, we noted the 2<sup>nd</sup> and 3<sup>rd</sup> quarter reports did not meet the percentage of the total allocation required to be expended.

**Questioned Costs**

None.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### **Context**

We tested all four quarterly reporting periods.

### **Effect**

Allocations of Federal funds through the oversight agency may be impacted when reports are incomplete, inaccurate, or untimely.

### **Cause**

The District did not have readily available financial information. It appears that there is not adequate oversight of the reporting timelines.

### **Recommendation**

A reporting calendar should be used to document timelines for reporting. Supervisory personnel should monitor the reporting timelines. Each report should be reviewed to verify that it is supported by actual costs recorded in the financial system.

### **Current Status**

Not implemented. See current year finding 2010-3.

## **2009-42 FEDERAL WORK STUDY AWARDS**

### **Federal Program Affected**

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Work Study Program (CFDA #84.033)

### **Compliance Requirement**

Activities Allowed and Unallowed

### **Criteria or Specific Requirement**

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

### **Condition**

*Significant Deficiency* - The information within the financial aid system for payments to students for the Federal Work Study Program had not been adequately reconciled to the payroll records contained in the financial ledgers.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Questioned Costs**

None.

**Context**

We compared totals by campus to totals in the financial aid system and found differences in three of the four Colleges that indicate that reconciliations are not adequately performed. The differences noted are contained in the table below.

College	Differences noted	Explanation
Merritt	\$ 17,537	General ledger records indicate more disbursed than is recorded in the Financial Aid system.
Alameda	\$ (10, 203)	Financial aid records indicate more disbursed than is recorded in the general ledger.

**Effect**

Federal Work Study awards must be closely monitored to ensure that the amount available to the College to be awarded to students is effectively utilized.

**Cause**

The College had implemented a new financial aid system and had not been able to enter work study program data in the system, thereby impairing their ability to appropriately monitor the awarding and disbursing of program dollars. Then in mid-year, a decision was made to abandon the new system and return to the old system. This required the data to be input into the system and reconciled while continuing through the award period. The resources of the Department had been stretched beyond the capabilities of time and effort.

**Recommendation**

Reconciliation processes need to be performed on a monthly basis and subject to an appropriate level of review. Communication between the department and central administration needs improvement to ensure that resources of the District are allocated where needed.

**Current Status**

Implemented.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### 2009-43 FEDERAL DRAW DOWNS

#### Federal Program Affected

U.S. Department of Education (DOE), Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Work Study (CFDA #84.033), and Academic Competitiveness Grant (CFDA #84.375)

#### Compliance Requirement

Cash Management

#### Criteria or Specific Requirement

Under the advanced method, the District request must not exceed the amount immediately needed to disburse funds to students or parents.

#### Condition

*Significant Deficiency* - The District does not have in place a policy over drawing down Federal funds. The District also does not have an effective control to ensure that all draw downs are reviewed and approved by an individual other than the person responsible for requesting the draw downs.

#### Questioned Costs

There are no questioned costs related to this finding due to the District not being allowed to exceed their allocated amount for student financial aid.

#### Context

During the 2008-2009 fiscal year, the District drew down approximately \$14.5 million.

#### Effect

The District can be placed on the reimbursement method where the funds will have to be approved by the awarding agency prior to being able to draw down any funds.

#### Cause

The District has not adopted a policy over drawing down Federal funds.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Recommendation**

The District should adopt a policy that determines the procedure for drawing down Federal funds. The District should implement a control to ensure proper segregation of duties over drawing down funds and verify that the amount is reviewed and approved.

**Current Status**

Not implemented. See current year finding 2010-9.