



May 31, 2011

Mr. Ronald Gerhard
Vice Chancellor, Finance and Administration
Peralta Community College District
333 East 8th Street
Oakland, CA 94606

Dear Mr. Gerhard:

During the course of our interim audit, our procedures have focused on Peralta Community College District's (the District) implementation of the recommendations noted in the 2009-2010 annual financial statement audit report – in particular the Material Weaknesses noted as Comments 2010-1 through 2010-13. You have provided us with the Corrective Action Plan dated May 17, 2011, which has identified the actions currently taken and the planned changes in procedures that will resolve the comments noted.

Based upon our procedures, we would like to prepare this summary of the current status of the recommendations. We will continue to monitor, test, and analyze the District's procedures and responses throughout our engagement, and the results of further testing may change or impact this report. If significant variances are noted, we will, of course, bring them to your attention immediately. Future reporting will also provide the status of the Significant Deficiencies and instances of Noncompliance with Federal and State Award Programs.

2010-1 – DISTRICT BUDGET MONITORING

We have reviewed the Annual Budget adopted by the Board of Trustees on September 28, 2010. The Budget Monitoring Procedure Policy remains in a draft stage and is awaiting adoption by the Board of Trustees. Part of this procedure is the development of an Annual Financial Activity Calendar which has been reviewed by the audit team. We have also reviewed the Budget to Actual Variance Reports that are produced directly from the PeopleSoft Accounting System and monitored by District management. This report is then taken to the Board of Trustees on a monthly basis for review.

These actions that are now in place appear to provide for a Current Status of the Material Weakness as Implemented; however, the final results will require the Budget Monitoring Procedure Policy to be adopted by the Board of Trustees and adhered to.

2010-2 – QUARTERLY FINANCIAL REPORTING

We have received copies of the CCFS-311Q Reports prepared and submitted to the District Board of Trustees and the State Chancellor's Office for the quarters ended September 31, December 31, and March 31. These reports were submitted within the required timelines established by the State Chancellor's Office. We have traced the reported amounts to the District's general ledger and noted no errors or irregularities in the reporting.

As a result of the District's reporting, the Current Status of the Material Weakness will show as Implemented within the 2010-2011 annual financial report.

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2010-3 – OVERSIGHT AND MONITORING

We have observed and noted the District has begun the process required to fully implement the recommendations included within this Material Weakness. A comprehensive review of the District Business Office is currently underway focusing on the processes and procedures which must conform to best business practices. We have noted increased awareness by personnel within the Business Office of the internal controls required for review and analysis of financial activity. We have been provided the individual procedures for processing, reconciling, and analyzing financial data by staff and will continue to review the full implementation of these processes. The Comprehensive Review of the PeopleSoft Accounting System should be undertaken once the internal procedures have been fully implemented.

This process is one that will require additional time to fully implement, and we will continue to review and analyze the progress in this area. We note that this Material Weakness is In Process and appears to be a priority for the District management.

2010-4 – CORRECTIVE ACTION PLAN

We have been provided a copy of the District's Corrective Action Plan. This Plan has noted the individuals responsible for the implementation of audit recommendations and a potential timeline. Based upon the information that has been provided, the Corrective Action Plan is a dynamic document that is updated as changes and/or progress is made. Each recommendation provided during the audit – as well as recommendations from other sources – is included in the Plan with the emphasis on Material Weaknesses and procedures that will address those weaknesses.

We will continue to review the progress made on each comment, but with the Plan provided and updated during the audit process, the Current Status of the Material Weakness will show as Implemented.

2010-5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) BOND INVESTMENT ACTIVITY

We have been provided with monthly investment account activity reconciliations for the period October 2010 through March 2011. We have noted this reconciliation is performed by a designated staff individual and is reviewed and approved by the Vice Chancellor, Finance and Administration. We have also reviewed the December 2010 and March 2011 reports provided to the Board of Trustees.

The Trust Investment Committee has been reformed as the Retirement Trust Board and includes members of the Board of Trustees, the Chancellor, and the Vice Chancellors; Finance and Administration and Human Resources. This Board has met in April and May 2011, and we have been provided minutes to these meetings for review.

Individual investments within the OPEB Investment portfolio do not appear to have changed dramatically, and the requirement to hold investments with a rating of Bb and above continues to be an issue.

At this time, the Current Status of this Material Weakness is noted as Improved and In Progress.

2010-6 – SWAP INVESTMENT ACTIVITY

Due to the re-organization of the Retirement Trust Board, the oversight of the investment activities of the Other Postemployment Benefit Bonds has shifted to the new Board. While the Corrective Action Plan and our discussions with management have provided the audit team with information that this Material Weakness is being addressed, we do not have specific information to comment on the current status of this finding.

2010-7 – CASH IN COUNTY ACCOUNT RECONCILIATIONS

We have been provided with the monthly Cash in County Account reconciliations for the period July 1, 2010 through March 2011. We have observed that there is currently a process in place for District staff to perform this reconciliation each month and that the completed reconciliation is reviewed by the Vice Chancellor, Finance and Administration.

The status of this Material Weakness will be noted as Implemented with the final analysis as to the final reconciliations determined during our audit of the year-end financial statements.

2010-8 – BANK ACCOUNT RECONCILIATIONS

The bank account reconciliations related to the College campus accounts and student financial aid accounts continue to provide challenges to the District. We have discussed the reconciliation process with management and, at this time, believe various options are currently being reviewed.

We will continue to monitor the progress of the implementation of this Material Weakness. At this time, we do not have a specific status for this finding.

2010-9 – INTERNAL AUDIT FUNCTION

We have met with the Internal Auditor hired by the District in April 2010. She has assisted in the coordination of the external audit during the interim audit cycle and appears to be aware of the complexities of the District including serving the four College campuses.

The status of this Material Weakness will be noted as Implemented, and we will continue to review the results of the audit in conjunction with this new position.

2010-10 – CAPITAL ASSET ACCOUNTING

Capital Asset accounting is a process that will be part of the audit cycle for the year-end audit. It is our understanding that an inventory of Property and Equipment will be conducted throughout the District facilities during June 2011 by an outside service provider. However, at this time, we have not had the opportunity to review any updated schedules of the assets and related depreciation for the District.

2010-11 – FINANCIAL ACCOUNTING SYSTEM PROCEDURES

We have been provided and have observed reports that are available directly through the PeopleSoft financial accounting system that can be utilized directly by department managers to monitor budgets. Additional capabilities of the system continue to be explored to provide more transparency to the end users.

Our audit procedures related to this finding have noted improvements in various reporting capabilities and in communications to College and District personnel related to the processes available through the system. However, many of the reconciliations and budget monitoring results will not be fully audited until our final audit procedures have been completed. At this time, our analysis of the current status of this Material Weakness is Improved.

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2010-12 – STUDENT ENROLLMENT FEE REPORTING

The procedures related to the Student Enrollment Fee Reporting remain In Process. The final reporting of the Student Enrollment Fees is included on the CCFS-311 submitted with the Unaudited Actual activity at year end. Our audit procedures related to the Student Enrollment Fee Reporting will be completed with our final audit.

2010-13 – WRITTEN PROCEDURE MANUALS

We have been provided copies of the written procedure manuals for various activities within the Business Office of the District. The procedures appear to provide direction to staff as to the proper recording of financial transactions, year-end accruals, and journal entries. Procedures related to the College Business Offices have not been completed to provide consistency of instruction to the four College campuses.

At this time, the status of the Material Weakness is noted as Improved and In Process.

We will continue to monitor the status of the recommendations on the progress toward full implementation during each of our scheduled on-site visits. We will also provide updates as to the status of the Significant Deficiencies noted within the audit and the Federal and State Compliance findings. We will provide to management any additional information necessary to complete the recommendations within a timely manner. Please let me know if you have any questions.

Very truly yours,



Heidi E. White
of VAVRINEK, TRINE, DAY & CO., LLP

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