



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

December 1, 2008

Chabot Las Positas Community College District  
Pleasanton, California

In planning and performing our audit of the financial statements of the governmental activities of Chabot-Las Positas Community College District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Chabot-Las Positas Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be control deficiencies.

### ***Categorical Accounting***

During our review of the state categorical worksheets, we noted the following:

- Current year carryovers were not calculated correctly. Current year carryover should be the available award amount, less the authorized expenditures.
- \$2.8 million of prior year carryovers cannot be traced to the prior year categorical schedule.
- Cash receipts in current year were not separated from prior year deferred revenues.
- Program expenditures were not separated from contribution made by other funds.

### ***Recommendation***

We recommend that the categorical worksheets be reviewed for accuracy in calculation of current year carryovers, deferred revenues, and receivables to ensure that federal and state categorical programs are accounted for properly.

### ***District Response***

The Categorical worksheet was completed for the auditors in the same format as prior year under the assumption that was the format desired. The worksheet has been updated to reflect the recommendations above – specifically, current year cash receipts and prior year deferred revenues are shown in separate columns; authorized and unauthorized expenditures are shown in separate columns. We will work closely with the auditors in future audits to assure we are providing information in the desired format.

The error in the current year carryover was due to a late expense posting.

The \$2.8 million difference in prior year carryover revenues was due to a posting made after the audit for internal tracking purposes. Going forward, such entries will not be made due to the impact on external reporting.

### ***Student Accounts Receivable***

During our review of student receivables, we noted that the overall/combined accounts receivable aging agree to the total receivables recorded in the general ledger, however, the student receivables recorded in the aging report from the registration software do not agree to the amount recorded in the district's financial software. The difference was approximately \$1,300,000.

### ***Recommendation***

We recommend the District work with the IT department to customize the student module in the Banner system, so that student receivable aging details can be generated to support the amount recorded in the district financials and to allow the District to manage its student receivables. This is important for purposes of assessing the validity of the receivable assets of the District, potential need for collection procedures, write offs of uncollectible amounts, or adjustments of allowances for uncollectible amounts.

### ***District Response***

We concur. The District will work with ITS to redefine the specifications on the student receivables aging report to ensure that it picks up the correct details. The District will review the report monthly to ensure it ties into our ledger.

### ***Capital Assets***

As noted in the prior year, the District has not performed a physical inventory of equipment since March 2002. Some computer and equipment are over 5-10 years old and remain on the list.

### ***Recommendation***

We recommend that the District adopt a schedule for undertaking physical inventories of equipment every few years, and evaluate equipment to determine whether it is still in use and functioning.

### ***District Response***

A physical inventory was conducted in July, 2008. We will evaluate fully depreciated equipment and remove it from the list if it is no longer in use or functioning as intended.

### ***Payroll/Human Resource Functions***

As noted in prior year, that Payroll personnel have access to certain Human Resource functions. Payroll personnel are able to access to the United States Regulatory screen to correct any errors related to California Pension Member Status and to access the NBA Jobs and General Jobs screens to modify the beginning/ending dates and type of employment of an employee.

### ***Recommendation***

We recommend the District work with the IT department to set restriction on access to the human resource and payroll screens to where HR and payroll can only view each other's screen for information, but cannot modify the information.

### ***District Response***

The ability to modify data in the NBAJOBS screen in BANNER has been limited to Human Resources staff and two Business Services administrators. Other staff who need access to this data have been granted query access only. Changes to any data found in NBAJOBS must be presented to the Human Resources staff for entry. Human Resources staff will continue to work with the Director of Information Technology Services and the Vice Chancellor, Business Services, to identify efficient and effective ways to update data housed within NBAJOBS.

## SUMMARY OF PRIOR YEAR COMMENTS

### ***Payroll/Human Resource Functions***

During our review of the payroll/personnel systems, we noted that the Payroll person has access to certain Human Resource functions. Payroll person has access to the United States Regulatory screen to correct the error related to California Pension Member Status and access to NBA Jobs and General Jobs screens to modify the beginning/ending dates and type of employment of an employee.

### ***Recommendation***

We recommend the District work with the IT department to set restriction on access to the human resource and payroll screens to where HR and payroll can only view each other's screen for information, but cannot modify the information.

### ***Current Year Status***

Implemented.

### ***Disbursement System***

During our review of internal controls for disbursements, we noted that when processing disbursements through Banner system, the system is not set up to reject processing invoice amounts exceeding the original approved purchase order amount.

### ***Recommendation***

We recommend that the District work with IT department to set restriction in the Banner system to automatically reject processing any invoices exceed 5% -10% (per district policy) of the original approved purchase order to reduce opportunity for misuse of the account.

### ***Current Year Status***

Implemented.

### ***Clearing Bank Account Reconciliation***

During our interim review of the clearing cash account, we noted that the bank reconciliation for the cash clearing account was ten months behind. In addition, some outstanding deposits and checks were not recorded in the Banner general ledger system. We reviewed July 2007 bank reconciliation (the most recent bank reconciliation available) on June 5, 2007 and noted approximately \$73,000 deposit and \$12,000 checks withdrawals were not recorded in the general ledger. Also, there was approximately \$49,000 Deposits in Transit and only \$21,000 was cleared in subsequent month. This contributes to the amounts recorded as unadjusted amount in the general ledger balance.

***Recommendation***

The bank reconciliation to the District records serve as a key component of internal controls and assists the District in ensuring the accuracy of its financial records. When this process is not performed in a timely manner, the District is not using available checks and balances to assist in ensuring the accuracy of the financial records.

***Current Year Status***

Implemented.

***Las Positas College Associated Student Account***

During our review of the Associated Student accounts for Las Positas College, we noted the following:

- Bank deposits were not made timely. College should make deposits at least 2-3 times a week per its established procedures. We reviewed cash collection process for the month of April 07 and noted deposits made exceed average of 16 days.
- Pre-numbered receipts were not used to ensure all monies collected were deposited intact and timely.
- Bank statements have not been reconciled since October 2006.
- Four out of ten disbursements selected for review missing required authorization.

***Recommendation***

We recommend that the bookkeeper for the Associated Student Body review its policies and procedures to adhere with deposit requirements. In addition, pre-numbered receipt or receipt log should be used for all cash collections to ensure cash collected are deposited intact and timely. Bank statement should be reconciled monthly on a timely manner. All required authorization for disbursements should be obtained prior to check issuance.

***Current Year Status***

Implemented.

***Stale dated checks***

As noted in prior year that the revolving and clearing cash accounts, financial aid, student loan, and scholarship accounts and Associated Students accounts, included several stale dated checks that had not cleared and were in excess of one year in age. Upon further inquiry, we noted the district does not have an established policy requiring investigation of stale dated outstanding checks.

***Recommendation***

We recommend the District consider adopting a policy to review and consider needs to void or re-issue checks, or return funds to grantors, or escheat to the state, funds that have not cleared the bank and are in excess of a certain age (6 months or one year are the most common ages used in policies)

***Current Year Status***

Implemented.

### ***Capital Asset Threshold***

As noted in prior year that the District has established a capital asset threshold of \$1,000. Each purchase of equipment or improvements to buildings or sites in excess of the established capitalization threshold is treated as an asset of the District in the Entitywide financial statements and depreciated over several years based on its estimated lifetime. During our work with other agencies, we have noted that while many agencies have separate lower thresholds for inventorying items for insurance and other purposes (\$500-\$1,000), most are using \$5,000 for capitalization purposes. Using separate thresholds allows computer and other common equipment purchases to be tracked for inventory and insurance purposes in case of loss but does not require depreciating these types of items over multiple years. We also noted that the District has not performed a physical inventory of equipment since March 2002. Some computer and equipment are over 5-10 years old and have been fully depreciated which still included in the listing.

### ***Recommendation***

We recommend the District consider the costs and benefits associated with tracking and depreciating the volume of lower dollar items that fall between \$1,000 and \$5,000 and determine if the capitalization level should be raised or should remain at \$1,000. We recommend that the District adopt a schedule for undertaking physical inventories of equipment every few years and evaluate equipments that are fully depreciated to determine whether it they are still functioning as intended.

### ***Current Year Status***

Partially Implemented, see current year comment.

### ***Benefits Billing Reconciliation***

As noted in prior year that the District provides Kaiser or Blue Cross HMO to its employees at no cost to the employee. Blue Cross PPO is also offered to employees and the employees electing that coverage are billed for the amount that exceeds the Blue Cross HMO amount. We noted that there is no reconciliation of the employee names listed on the Blue Cross PPO invoice as compared to the records of payroll deductions to ensure that the District has accurately billed those individuals who should be reimbursing the District. In addition, COBRA insurance reimbursement amounts have not been timely reconciled to the insurance billings.

### ***Recommendation***

We recommend that the names on the Blue Cross PPO invoice be listed in a spreadsheet and the amount at which each employee's coverage exceeds the Blue Cross HMO amount be listed. The total from the spreadsheet can then be compared to the payroll deduction report to ensure that the District is reimbursed the appropriate amounts.

### ***Current Year Status***

Implemented.

### ***Benefit Payments to Retirees***

As noted in prior year that the District does not periodically initiate contact with retirees to determine if the individual continues to be eligible to receive retiree benefits.

***Recommendation***

We recommend that the District establish a policy with timelines for sending a census letter to retirees to determine if the retiree continues to be eligible for the benefits they are receiving and that no circumstances have occurred that would change the amount or payment of the benefit.

***Current Year Status***

Implemented.

This letter does not affect our report dated December 1, 2008 on the financial statements of the District.

We appreciate the time and assistance the staff of the District and the College Business Offices have provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2008-2009 fiscal year.

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

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 1, 2008