FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

CAFETERIA DEFICIT SPENDING

2008-1 Finding

Criteria or Specific Requirement

Pursuant to Education Code Section 84040, the Board of Governors is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. In addition, the criteria and standards are to be used in monitoring the fiscal stability of local educational agencies. These standards are based on the principles of sound fiscal management that are contained in California Code of Regulations (CCR) Section 58311.

Condition

During the course of the audit, we noted the District's Cafeteria Fund continued to experience significant deficit spending in the 2007-2008 fiscal year. Even though the amount of support needed from the General Fund for the 2007-2008 fiscal year decreased compared to the prior year, early detection will allow the District to take proactive or preventative steps to stabilize and address the financial condition of the fund. The current year support from the General Fund amounted to \$130,000 compared to \$216,000 in the prior year.

Questioned Costs

None noted.

Context

There are some specific concerns to be addressed in the Cafeteria Fund. Total revenues in the Cafeteria were \$947,095 which were not sufficient to pay expenditures of \$1,075,607. The Cafeteria Fund is projected to end the 2008-2009 fiscal year with a deficit balance of \$55 thousand.

Effect

If continued deficit spending continues, early and preventative interventions could fail due to the timing or degree of fiscal condition, which could affect the District's financial position and ability to meet their required reserve of five percent in the General Unrestricted Fund as adopted by the Board of Governors pursuant to Education Code Section 84040.

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

A review of the District's budget and an assessment should be performed to determine a plan to eliminate the continued deficit spending. The District should review the operations of the Cafeteria to ensure that the improvement in the financial operations of the Cafeteria is continued. The District should set a reasonable plan to ensure the programs return to a positive position within the coming two to three years.

Management Response and Planned Corrective Action

The District has made progress in reducing the Cafeteria's reliance on General Fund support this year. Overall, an \$86,000 improvement was made. The District will continue to work on its menu, prices, staffing levels, and hours of operations to minimize the amount of District support. The District is committed to providing a low cost food service for its students which may require continued General Fund support in the future.

LACK OF DISASTER RECOVERY PLAN

2008-2 Finding

Criteria or Specific Requirement

Industry standards and best practices require the development of a disaster recovery plan that captures all aspects of financial data of the District. This is a vital component of the District's internal control structure of management information system.

Condition

The District has not developed a disaster recover plan.

Questioned Costs

None noted.

Context

This creates the possibility that valuable information could be lost and not recovered.

Effect

The lack of a formal disaster recovery plan could severely hamper the District's ability to recover to a normal state of operations and may result in financial losses should business be interrupted.

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

The District should develop a disaster recovery plan to ensure that the District is prepared for any unexpected disaster. The plan should be tested periodically to test the effectiveness in the event of a real disaster occurring.

Management Response and Planned Corrective Action

The Associate Vice President of Information Technology position was finally filled in August 2008 after being vacant for more than two years. The new Associate Vice President is updating our technology plan which will include the District's disaster recovery plan.

LACK OF FORMAL INFORMATION TECHNOLOGY PROCEDURES

2008-3 Finding

Criteria or Specific Requirement

Industry standards and best practices related to internal controls require formal procedures to remove access for terminated employees from the District's operating systems.

Condition

The District's Information Technology department currently has no formal procedures to remove access for terminated employees from the District's system.

Questioned Costs

None noted.

Context

This creates the possibility that controls can be circumvented, and errors or irregularities could occur that are not detected by management in a timely manner.

Effect

The lack of formal procedures could be circumvented, and errors or irregularities could occur that are not detected by management in a timely manner.

Recommendation

The Information Technology department should work closely with the Human Resources department to design and implement formal process and procedures for removing terminated employee's access to the District's computer network. It is also recommended that a current user list be generated on a regular basis and cross referenced with Human Resource records.

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

Management Response and Planned Corrective Actions

The District has already drafted its formal procedures for removing system access for terminated employees. Periodic reports will be distributed to all managers listing all employees with active user accounts and employment status. Managers will then instruct Information Technology of any changes that may be required. This procedure will be implemented in Spring 2009.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

2008-4 Finding

Federal Programs Affected

U.S. Department of Agriculture, Intersegmental Pipeline to Ag-Related Degrees for Hispanic Community College Students (CFDA #10.223), U.S. Department of Veteran Affairs, Veterans Education (CFDA #64.000) U.S. Department of Education, pass through from Glendale Unified School District, Improving the Teaching of American History (CFDA #84.215X), and Corporation for National and Community Service, pass through from the Foundation for California Community Colleges, AmeriCorps: Teaching Reading and Math Development Partnership (CFDA #94.006)

Criteria or Specific Requirement

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by Federal agency.
- 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.
- For Federal awards received as a pass through entity, identify, to the extent practical, the total amount provided to subrecipients from each Federal program.

Condition

We noted the following errors and/or omissions in the District's initial SEFA:

- The AmeriCorps: Teacher Reading and Math Development Program (CFDA# 94.006) was not presented on the District's SEFA. The District had this program recorded as being State funded.
- Veterans Education (CFDA# 64.000) was presented on the District's SEFA as being awarded from the U.S. Department of Education. This program is funded through the U.S. Department of Veteran Affairs.
- The funding for the Improving the Teaching of American History (CFDA# 84.215X) program was not properly presented as a pass through program through Glendale Unified School District. The District's SEFA was presenting this as a direct award from the U.S. Department of Education.

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

• The Intersegmental Pipeline to Ag-Related Degrees for Hispanic Community College Students (CFDA# 10.223) was not properly identified on the District's SEFA. The name of the program was simply listed "U.S. Dept. of Agriculture" and contained no CFDA number.

Questioned Costs

None noted. The District corrected the SEFA and the expenditures for all programs mentioned above were fairly presented on the SEFA.

Context

The District currently has the financial system in place to ensure that the activity for each Federal program is accounted for. However, when it comes to summarizing the activity on the SEFA, there is no mechanism in place to ensure that information, such as CFDA numbers and pass through entity identification, is in place. The one program that was identified as a State program was due to a poorly worded contract between the pass through grantor in which the contract did not state that the program was funded with Federal dollars; however, this information was available on the grantor's website.

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.

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 Planned Corrective Action

Some of the omissions in this finding are simply clerical errors in the preparation of the SEFA. The District will be more thorough in the preparation and review of the SEFA in the future.

The District has had problems in identifying source of funding and CFDA numbers when it is not the direct recipient. Often times, our contact on these grants are not familiar with the data required on the SEFA and incorrect information is received. We will begin requesting grant award letters whenever the District is a sub-recipient on a grant.