



To the Finance Committee  
Of Solano Community College District

In planning and performing our audit of the financial statements of Solano Community College District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Solano 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Company's internal control in our report dated February 8, 2011. This letter does not affect our report dated February 8, 2011, on the financial statements of Solano Community College District.

### ***Capital Assets***

We noted the following items during our review of the capital assets:

- Equipment purchases were recorded as capital equipment expenditures without analyzing the items to determine if they meet the capitalization threshold or other capitalization criteria.
- We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds. However, due to limitations of time and resources the inventory has been limited just to those items charged to Federal funds.

### **Recommendation**

- Amounts not meeting thresholds or other criteria for capital expenditures should be recorded as noncapital expenses.
- We recommend that the District follow a policy of periodically inventorying all equipment not just that purchased with federal funds in order to update the financial records supporting amounts reported on the entity-wide statement of net assets and to determine if any updates to insurance coverage limits are needed.

## **District Response**

Upon recommendation of Finance and Administrative Services staff, the Solano Community College District Governing Board took action at its May 19, 2010 meeting to increase the fixed asset inventory thresholds for equipment to \$5,000 and above per the guidelines in the California Community Colleges Budget and Accounting Manual (BAM). This change, implemented during the 2009/10 fiscal year created the need for some adjustments in inventory classifications which did not occur due to staff turnover and lack of necessary follow up in implementation. All budget managers will be made aware of the change which will be communicated through formally agendaizing at an Administrative Leadership Group meeting along with written follow up and web notification through the Purchasing link on the intra net.

Per the May 19, 2010 Board item the minutes reflect the following: "It is the intent of staff to eventually develop a policy and procedures on management of fixed assets; however, increasing the limit at this time will improve staff's ability in conducting its annual inventory and fulfill audit requirements."

## ***Personnel Costs***

District policies provide that salary changes be supported by payroll change memos signed by the human resources director authorizing the change. We noted in 2 of the 30 files reviewed, that pay change memos were unable to be located.

## **Recommendation**

We recommend that the memos supporting authorized pay changes be maintained in the employee files or filed in any other manner, including electronic storage or other system, that allows for easy accessibility upon request.

## **District Response**

It is, in fact, district procedure to file the payroll change memos in the employees' personnel file at the time the change is initiated. It is a manual process to assure that the appropriate documentation is properly filed. The Human Resources Department has been operating one staff person short due to funding limitations for most of the 2009/10 fiscal year. Duplicate copies of the payroll change memos are retained by the payroll department as documentation for the change to occur. Human Resources will redouble its effort to ensure that the documentation resides in the employee's official personnel file. As staffing permits, process audits will confirm the procedure is being followed.

## ***VTEA Program Operations***

We noted that VTEA program manager was not involved in reviewing and approving some of the journal entries and payroll authorizations that were charged to the VTEA program.

## **Recommendation**

In order to efficiently run the program and prepare program reports submitted to granting agencies, we recommend the District consider whether or not it would be more effective to include the program manager in the approval process for any significant expenditures of that programs funds.

## **District Response**

The district recognizes the need to include the program manager in the approval process for any significant expenditures of VTEA Program funds. Year end journal entries and payroll authorizations did not include sufficient involvement of the VTEA Program manager in order to meet timelines and filing deadline requirements. Some of this was caused by more than normal clean up required due to key staff turnover and changes which occurred during the 2009/10 fiscal year. Plans for interim and year end categorical program reporting will be developed by the new, key leadership staff in Fiscal Services to assure the appropriate involvement of program staff in the future.

## ***Federal and State Grant Funds***

We noted that the schedule of federal awards did not agree to the total federal revenues per the CCFS-311 form. The Cal B&C grants in the amount of \$406,478 were recorded as federal revenues rather than state revenues, local donations recorded to Scholarship & Trust Fund in the amount of \$263,443 were recorded as federal, and \$264 was recorded in the unrestricted general fund as federal but was not identified on the federal award schedule. In addition, we noted two programs, the ACG grant for \$28,670, and the Renovation and Repair grant for \$4,749, that were reported on the schedule of federal awards, but were not reported as federal revenue in the general ledger.

## **Recommendation**

As part of the preparation of the schedule of federal awards the District should compare total federal revenue in the general ledger to the total federal revenue reported in the schedule of federal expenditures and investigate and resolve any differences.

## **District Response**

The district has taken steps to strengthen fiscal support for Federal and Grant Funded programs. A new position of "Accounting Manager" has been created and is now in the recruitment process and should be filled by the end of February, 2011. A portion of the responsibility of this position will be fiscal oversight of specified categorically funded programs. In the interim, the newly appointed Director of Fiscal Services will be providing more direct supervision and oversight of the Grant funded programs to avoid the issues raised in the 2009/10 audit. The District will compare total federal revenue in the general ledger to the total federal revenue reported in the schedule of federal expenditures and investigate and resolve any differences.

## ***Debt Service Funds***

The Student Center Revenue bonds were paid off in fiscal year 2008-09. The debt payments for these bonds were administered by the County for the District in the County Debt Service Fund 437. The latest information the District received from the county office that administered the debt service payments for the District was that as of 6/30/09 there was a remaining fund balance in this debt service fund of \$316,785.

## **Recommendation**

We recommend the District discuss with the County the disposition of the remaining fund balance in the County Fund 437 now that debt it was intended to service has been paid off.

## **District Response**

The District is working with the County Auditor Controller to investigate the amounts remaining in the debt services funds, if any.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Vaurinek, Trine, Day & Co LLP*

Pleasanton, California  
February 8, 2011