

**LASSEN COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES
AUDIT SUBCOMMITTEE MEETING
APPROVED MINUTES**

**February 9, 2010
4:30 p.m.**

1. Call to Order and Roll Call

Trustee Holybee called the meeting to order at 4:32 p.m.

Members Present: Tom Holybee and Jeff Hemphill

Members Absent: Tom Hammond

Staff Present: Dr. Houston, Julie Johnston, Dave Clausen,
David Burris

2. Approval or Deletions to Agenda

None

3. Call for Requests from the Audience to Speak to any Item on the Agenda

None

4. Approval of January 12, 2010 Minutes

A Motion was made by Trustee Hemphill, seconded by Trustee Holybee, and carried unanimously to approve the January 12, 2010 Minutes as presented.

5. Discussion Agenda:

Dave Clausen, Comptroller, provided an update to the Audit Committee on the Audit Findings as follows:

2009-1 – Instructional Service Agreements **

Management Response: The District felt that it was sufficiently covered by the specific language of the contract as it related to the contractual payments. All future Instructional Service Agreement contracts will contain language that certifies that funds will not be received from other sources. *The current exposure would be with the Cal-Fire Contract. We will review the contract and take necessary steps to ensure compliance to this regulation.*

2009-2 – Residency

Management Response: The District will review the cause of these four student records failing to pass the audit test and institute appropriate measures to prevent this from occurring. For the spring semester, which is currently registering, all students' residency is being recorded and documented. Management will perform an internal audit after registration to ensure that no

failures exist. This process has been corrected and is currently implemented. *We will perform the internal audit during April of 2010.*

2009-3 – Concurrent Enrollment **

Management Response: All future CCSF-320 reports sent to the State of California will be reviewed by the Dean of Student Services and the ~~Comptroller~~ *Director of Institutional Research* to ensure accurate and timely reporting. This process is currently implemented.

2009-4 – Apportionment **

Management Response: All future reports sent to the State of California will be reviewed by the Dean of Student Services and the ~~Comptroller~~ *Director of Institutional Research* to ensure accurate and timely reporting. This process is currently implemented.

2009-5 – Gann Limit **

Management Response: All future reports sent to the State of California will be reviewed by the Comptroller to ensure accurate and timely reporting. *This process is currently implemented.*

2009-6 – Student Fees

Management Response: The business office will work with the office of instruction to ensure that the curriculum and material fees status will be reviewed and documented to ensure that material fees charged are appropriate. *The finance office will provide the office of instruction a list of classes that the District is receiving material fees for to verify that these fees were charged appropriately. Process is in place and will be completed by the end of March 2010.*

MANAGEMENT COMMENTS

PAYROLL

Finding**

Personnel in the Finance Department have access to both payroll and human resource functions in Datatel. In addition to preparing payroll, Finance Department personnel can change an employee's position, pay rate and leave of absence accruals.

Recommendation

We recommend that access controls be implemented to ensure that human resource functions in Datatel, such as setting and changing positions, pay rates and leave of absence accruals, be restricted to human resource personnel.

Response

We are currently reviewing the security matrix in Datatel. One of the areas that will be addressed is segregation of duties. Only the two personnel in the Human Resources Department will have access to change the employee's position, pay rate and leave accruals. The Finance Department personnel will no longer have access to human resource functions. *This finding has been corrected.*

Finding

While confidential salaried employees are required to submit time sheets, other salaried employees are only required to submit monthly exception reports to the Finance Department if leave is taken.

Recommendation

We recommend that all non-confidential salaried employees be required to prepare and submit documentation of leave taken or not taken each month to ensure that all leave taken is reported to the Finance Department.

Response

The District will require all non-confidential salaried employee's to turn in monthly exception reports to the payroll office. Currently this has been covered by employee's turning in leave request forms to payroll, with the supervisor's signature on it. *This item is still under discussion and review. Action on this item will be completed by March 2010.*

Finding**

During our review of the controls over payroll, we noted that the same individual responsible for preparing payroll checks is responsible for the disbursement of the checks to employees.

Recommendation

To better segregate the duties related to payroll, we recommend that someone other than the person preparing the payroll receive and disburse the checks after they are printed.

Response

Segregation of duties will be achieved by review of payroll by the Comptroller and disbursement of checks by an individual other than the payroll clerk. *This finding has been corrected in November 2009.*

MANUAL CHECKS

Finding**

One individual in the Finance Department has access to the manual check stock, is responsible for typing manual checks and is responsible for obtaining signatures on the checks.

Recommendation

We recommend that manual check preparation duties be segregated so that after a manual check is prepared, an individual independent of the preparation process be responsible for obtaining the signatures on the check and distributing/ mailing the check.

Response

Manual checks will now be limited in their use. When manual checks are issued, the accounts payable clerk will prepare the check and have the ~~staff accountant~~ Comptroller obtain the signatures needed. This process is in place as of December 2009.

CASH RECEIPTS

Finding**

During our current year procedures related to internal controls over cash receipts, we determined that the safe is not locked during business hours.

Recommendation

We recommend that the safe remain locked at all times unless it is being accessed by an authorized individual.

Response

The safe is now locked at all times unless it is being accessed. This process is in place as of November 2009.

Finding**

During our current year procedures related to internal controls over cash receipts, we also determined that the accounts receivable clerk both receives payments at the window and performs the reconciliation of the bank account into which the funds are deposited.

Recommendation

We recommend that the processes of receiving payments and reconciling bank accounts be segregated.

Response

Due to lack of accounting personnel to perform all the tasks, the District will have to assume some risk of the accounts receivable clerk receiving cash and reconciling the bank accounts. This risk will be mitigated by a review of the cash receipts and a review of the bank reconciliations by the staff accountant and Comptroller. This process is in place as of October 2009.

BOOKSTORE

Finding**

During our audit of the current year, we noted that the bookstore does not have a means of tracking inventory on a daily basis. Currently inventory is only taken once a year and the balance in the accounting records is adjusted to this amount.

Recommendation

We recommend that the District implement a method of maintaining a perpetual inventory such as a point-of-sale inventory system. This would provide a higher level of accountability for bookstore inventory on a regular basis.

Response

During 2009-2010, the District will be reviewing additional controls to ensure better inventory tracking in regards to the bookstore. The District will also be reviewing point-of-sale systems to better track inventory purchases and sales. During the 2008-2009 audit period reasonableness tests were performed to make sure there were no material misstatements of the bookstore inventory or cost of goods sold.

Finding**

During our current year review of internal controls over bookstore procedures, we noted that there currently is inadequate supervision of bookstore personnel.

Recommendation

We recommend that the District assign an individual from the Finance Department with adequate time and accounting knowledge to oversee the bookstore operations.

Response

During the reorganization of 2009-2010, the Director of Auxiliary Services has been put in charge of all auxiliary services including the bookstore. This Director now has direct supervision responsibilities over the bookstore. The District will be working with the Director during the remainder of 2009-2010 to ensure that adequate supervision over the bookstore is achieved. The District will further review and refine policies and procedures to ensure that during the 2010-2011 fiscal year that the bookstore will be well supervised and controlled.

STATE COMPLIANCE – ACTIVE ENROLLMENT

Finding

While performing our procedures to test compliance with active enrollment requirements, we noted that census dates on some census rosters were incorrect. However, we determined through the course of our testing that the census dates were properly communicated to instructors and students.

Recommendation

We recommend that the District implement procedures to ensure that the correct census dates are printed on all census rosters.

Response

The Dean of Student Services along with the ~~Comptroller~~ *Director of Institutional Research* will ensure that census dates are accurately printed on all census rosters. This will be accomplished by fall 2010.

STATE COMPLIANCE – CONCURRENT ENROLLMENT

Finding**

During our testing of students concurrently enrolled in K-12 and college courses, we discovered that some K-12 students were allowed to enroll in more than 11 units. While the students were correctly noted as special admit students and did pay the appropriate enrollment fees, this enrollment District policy. In addition, we also noted that four K-12 students were enrolled in physical education courses without the approval of the Dean of Student Services. District policy requires the Dean of Student Services to approve all K-12 students who are enrolled in PE courses.

Recommendation

We recommend that the District implement procedures to ensure that its policies are followed for K-12 students concurrently enrolled.

Response

The Dean of Student Services will review and establish procedures to prevent the misreporting of concurrent enrollment of K-12 Students. The CCSF-320 will also be reviewed by the Dean of Student Services and the ~~Comptroller~~ *Director of Institutional Research* to ensure proper reporting has been accomplished.

**FOLLOW UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS
PERSONNEL ACTION RECORDS (PAR)**

Finding

During our prior year procedures related to internal controls over payroll, we determined that the Human Resources department was not timely updating the Personnel Action Records in accordance with current District policy. In addition we noted that personnel files did not contain copies of all current contracts and various other payroll records.

Recommendation

We determined that the lack of these forms being timely completed was not a significant deficiency in the District's internal controls over the payroll process. However, we recommended that District management review their current policies and procedures related to personnel file document retention and either revise current policy or adjust current procedures to comply with the policy.

Status

During our audit of the current year, we continued to note the same issues in this area.

Response

Management will be reviewing the current District policy and procedures regarding personnel action records and aligning the policy to better reflect current practices. At this time we will also review the entire personnel record retention and filing system and make adjustments to the policy as needed. This will be accomplished during *March 2010*.

All items marked by ** have been completed or policy and procedure have been put in place. These items will be removed from the next Audit Committee update.

2009-2010 Audit

The benefits of retaining Nystrom and Company as the audit firm for one additional year for the 2009-2010 audit versus RFP for a new audit firm was discussed. Dr. Houston and Dave Clausen discussed that retaining Nystrom for one additional year would give Mr. Clausen the ability to work through the qualified audit opinion and get a sign off from Nystrom. Nystrom would additionally be able to work with Mr. Clausen on transactions prior to his arrival in order to assure a smooth transition. It was recommended Nystrom and Company be retained for the 2010 Audit season.

It was decided the next Audit committee meeting will be held in May with a follow-up meeting scheduled for August.

6. Comments from the Audience

None

7. Other

None

8. Adjournment

The Audit Sub-Committee Meeting adjourned at 5:03 p.m.