



To the Finance Committee, Governing Board, and Management
of Cabrillo Community College District

In planning and performing our audit of the financial statements of the governmental activities of Cabrillo Community College District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Cabrillo 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 or significant deficiencies.

PARKING METER COLLECTIONS

Comment

General best accounting practices and the District's accounting procedures emphasize the importance of strong internal controls over cash receipts to limit opportunities for errors of fraud to occur. We noted the while the daily parking pass machines maintain a record of passes sold, parking meters do not produce a record of the amounts collected. In addition, while the daily parking pass machines do typically produce receipts they often jam and the receipt data is lost. Lack of collection documentation, such as a printout from the parking meters, or lost daily parking pass machine records exposes all parking meter receipt collections and parking pass machine collections on days jams occur, to a risk of misstatement and prevents the District from verifying that all cash collected was deposited to the appropriate bank accounts intact.

Recommendation

We noted that the District has developed procedures regarding the collection of parking meter receipts and we encourage the segregation of duties wherever possible to have two individuals collect the funds whenever possible. The District should determine the feasibility of preparing a parking permit sale report that is independent from the count of the cash collected and reconcile the amounts expected to be collected to the total deposited to the college bank.

District Response

The District is still investigating a feasible solution to this recommendation. Budget reductions have limited the District's ability to replace old parking meters with new meters that provide the option of printing sales reports. Limit staffing is also a factor in establishing a better segregation of duties.

SUMMARY OF PRIOR YEAR COMMENTS

SALARIES OF CLASSROOM INSTRUCTORS (50% LAW) – Control Deficiency

Comment

During our review of the components that make up the 50% calculation, it came to our attention that the college does not have an effective system in the general ledger to distinguish between equipment replacement and new equipment. The college determines the amount of equipment replacements to include in their calculation by using a ratio of 80% of the total amount of equipment charged to the unrestricted general fund. This amount is then added to the denominator, or right side of the calculation.

Recommendation

While we do not believe this estimation of the replacement equipment would have a significant effect on the end result of the 50% law calculation, the method used by the College is not as accurate as it otherwise would be and could either be causing an understatement or an overstatement of the result of the 50% law calculation. The College should consider modifying the chart of accounts to include accounts that would allow for separate general ledger tracking of replacement and new equipment.

Status

Implemented.

VACATION LIABILITY – Significant Deficiency

Comment

We noted that the calculation of vacation liability is based upon the hours earned multiplied by the current salary rates. However, the calculation does not appear to incorporate an average benefits cost component.

In addition, GASB 16 changed the recognition of governmental funds expenditures or liabilities for compensated absences to recognize amounts only to the extent that the amounts have come due for payment in each period. Only amounts that have actually become due and payable as of the end of the fiscal year because relevant events have occurred, such as employee resignations and retirements, are to be recognized in the governmental fund liabilities.

Recommendation

Future payment of vacation earned will also necessitate payment of payroll taxes and other benefits that are based upon salary rates. Therefore, we recommend that consideration be given to including a benefit rate component in the vacation liability calculation.

District Response

Implemented.

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

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Pleasanton, California
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