

ARMANINO MCKENNA ^{LLP}
Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2600
www.amllp.com

May 8, 2006

Citizens' Oversight Committee
Cabrillo Community College District
Aptos, California

Audit Objectives, Scope and Methodology

This performance audit of the Measure D Bond Fund is required under Proposition 39 ("Prop 39"), passed by California voters in the November 7, 2000 general election, which amended the California Constitution. Provisions of Prop 39 require an annual, independent performance audit to ensure that the proceeds from the sale of school facilities bonds have been expended on specified projects, and not for teacher and administrator salaries and other school operating expenses. On March 2, 2004, District voters in Santa Cruz, Monterey and San Benito Counties approved Measure D, a facilities and equipment bond measure for the Cabrillo Community College District (the "District"). Based on this requirement, we identified the following objectives:

- Identify all school facility projects authorized under Prop 39 and approved by the passing of Measure D.
- Review the administration of the Measure D bond funds, including the development and maintenance of internal controls and procedures to ensure compliance with both Prop 39 and Measure D provisions.

In conjunction with our fieldwork for the audit of the basic financial statements of the District, we performed the performance audit on the Measure D Bond Fund. The scope of the audit encompassed the District's Measure D Bond Fund (Fund #49) established within the financial reporting system of the District.

To achieve the performance audit objectives, we conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.



The following audit procedures were performed:

- Reviewed the Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure D bond literature and other documents created by District staff and consultants that define the various capital and scheduled maintenance project categories approved under the Measure A provisions.
- Interviewed District staff and updated our documentation regarding the internal controls and procedures in place for the administration of Measure D bond funds.
- Reviewed a sample of vendor invoices paid with Measure D bond funds to ensure expenditures were properly authorized, processed within established internal control procedures and recorded under an approved project category.
- Reviewed the activity of inter-fund receivables/payables related to the administration of Measure D bond funds.

Findings and Recommendations

Our performance audit disclosed no instances that we determined were instances of noncompliance with the terms of Prop 39 or Measure D. Nothing came to our attention to indicate that the District has not implemented appropriate management controls to ensure the bond proceeds are administered economically, efficiently and effectively.

Very truly yours,


ARMANINO McKENNA LLP