

PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of September 13, 2011

ITEM # 14

ITEM TITLE: Vavrinek Trine Day & Co., LLP (VTD)

SPECIFIC BOARD ACTION REQUESTED:

Consider approval of contract with Vavrinek Trine Day & Co., LLP (VTD) in the amount of \$138,500 to perform the District's annual audit for the fiscal year ended June 30, 2011.

ITEM SUMMARY:

Education Code Section 84040 requires that the District provide for an annual audit of all funds, books, and accounts of the District in accordance with regulations established by the Board of Governors and Generally Accepted Auditing Standards. VTD is an auditing firm licensed by the California Board of Accountancy and qualified to perform such services. VTD will audit the financial statements of the business-type activities, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2011.

BACKGROUND/ANALYSIS:

ALTERNATIVES/OPTIONS:

EVALUATION AND RECOMMENDED ACTION:

APPROVAL OF CONTRACT.

SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):

General Fund Unrestricted.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES _____ No X

COMMENTS:

WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING?

Vice Chancellor Gerhard.

DID A BOARD STANDING COMMITTEE RECOMMEND THE ITEM? YES _____ No X

_____ IF "YES", PLEASE INCLUDE THAT INFORMATION IN YOUR SUMMARY.

(*****Board contract approval is subject to negotiation and execution by the Chancellor.)

PLEASE ACQUIRE SIGNATURES IN THIS ORDER:

DOCUMENT PREPARED BY:

Prepared by: _____ Date: _____
Ronald P. Gerhard,
Vice Chancellor for Finance and Administration

DOCUMENT PRESENTED AND APPROVED BY:

Presented and approved by: _____ Date: _____
Ronald P. Gerhard,
Vice Chancellor for Finance and Administration

FINANCE DEPARTMENT REVIEW

Finance review required Finance review *not* required

If Finance review is required, determination is: Approved Not Approved

If not approved, please give reason: _____

Signature: Ron Gerhard, electronically by vr Date: 9/8/11
Ronald P. Gerhard,
Vice Chancellor for Finance and Administration

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

Legal review required Legal review *not* required

If Legal review is required, determination is: Approved Not Approved

Signature: _____ Date: _____
Thuy T. Nguyen, General Counsel

CHANCELLOR'S OFFICE APPROVAL

Approved, and Place on Agenda Not Approved, but Place on Agenda

Signature: Wise E. Allen Date: 9/8/11
Wise Allen, Chancellor



March 1, 2011

Board of Trustees
Peralta Community College District
333 8th Street
Oakland, CA 94606

We are pleased to confirm our understanding of the services we are to provide Peralta Community College District (the District) for the year ended June 30, 2011.

We will audit the financial statements of the business-type activities, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2011. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI) to accompany the District's basic financial statements. As part of our engagement, we will apply certain limited procedures to the District's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contributions

Supplementary information other than RSI, such as the Schedule of Expenditures of Federal Awards, and schedules required under the State Chancellor's Office *Contracted District Audit Guide*, such as the Schedule of Expenditures of State Awards and the Schedule of Workload Measures for State General Apportionment, also accompanies the District's basic financial statements. We will subject this supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements. The following Additional Supplementary Information will also be subject to the auditing procedures applied in our audit of the basic financial statements, and we will provide an opinion in relation to the basic financial statements.

- 1) Individual Fund Balance Sheets, Statements of Revenues, Expenditures, and Changes in Fund Balance for Governmental Fund Types, Balance Sheets, Income Statements and Statements of Cash Flows for Proprietary Funds and Fiduciary Fund Balance Sheets and Statements of Expenditures and Changes in Fund Balance presented on the modified accrual basis of accounting.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- Compliance with laws and regulations in accordance with the California State Chancellor's Office *Contracted District Audit Guide*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, Federal awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major programs in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the business-type activities of the District and the respective changes in financial position and, where applicable, cash flows in conformity with accounting principles generally accepted in the United States of America; and for Federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information, as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of Federal awards, and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review during the preliminary phase of our audit.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major Federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the District has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees, and Other

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide 60 bound copies, an original, and a print-ready PDF master of our reports to the District and will submit copies of the report to the agencies specified within your distribution list. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of VAVRINEK, TRINE, DAY & CO., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the State Chancellor's Office, the Federal Oversight Agencies or designee, a Federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of VAVRINEK, TRINE, DAY & CO., LLP personnel.

Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the District. If we are aware that a Federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our firm has three (3) non-CPA partners. While these individuals are not anticipated to be assigned to your audit engagement, we will properly inform you of any services provided by them. Our non-CPA partners all work in our Rancho Cucamonga Office and provide ancillary consulting services to our governmental clients.

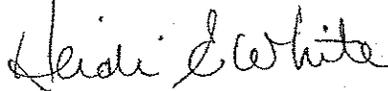
We expect to begin our audit at a mutually agreeable time and to issue our reports no later than December 31, 2011. We will communicate with you throughout the audit any changes in the proposed timelines or issues that will not permit the report to be issued by December 31, 2011. We have provided a proposed audit calendar with essential timelines for the completion of audit requirements, both from our standpoint and from District and College staff standpoint. Our audit plan has been prepared with a total of 1,100 total audit hours for the Federal compliance, State compliance, and financial statement components. This estimation of audit hours is based upon our past experience with the District, the number of Federal programs requiring a compliance audit, and the number of comments noted in the prior year's audit report. The State Chancellor's Office has recently released the *Contracted District Audit Guide* for the 2011 fiscal year end. Specific areas that have been added or expanded to the State Compliance are: Requirements for **Residency Determination, Economic, and Workforce Development, Cooperative Agencies Resources for Education (CARE), Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs**, and the FTES generated under **To Be Arranged Hours**. Based upon audit requirements known at this time, our estimation for the annual audit fee is \$138,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our fee is inclusive of all sundry costs associated with the audit including travel, processing, and other costs. We will be available to present the results of our audit to the District's Board of Trustees and/or Audit Committee periodically throughout the year. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Heidi E. White is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review has been issued with no letter of comment and is included with this letter.

Board of Trustees
Peralta Community College District
2010-2011 Engagement Letter
March 1, 2011
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We appreciate the opportunity to be of service to Peralta Community College District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Heidi E. White
of VAVRINEK, TRINE, DAY & CO., LLP

HEW/kks
Enclosures
110065

RESPONSE:

This letter correctly sets forth the understanding of Peralta Community College District.

By:  _____
Title: VICE CHANCELLOR _____
Date: 4/24/11 _____

The following individual has been designated to oversee the audit and will have responsibility for the completeness of the information presented for audit:

Name: Tom Costello _____
Title: VICE CHANCELLOR _____