

PCCD BOARD RETREAT

November 10, 2011

Agenda

1. Corrective Action Matrix
2. FCMAT Report

Material Weakness vs. Significant Deficiency

- **Material Weakness:** a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- **Significant Deficiency:** a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Audit Findings

	2009-10	2008-09
Single Audit Findings	9	13
Material Weaknesses	13	15
Significant Deficiencies	19	25
Total	41	53

Corrective Action Matrix

Independent Audit Findings

2010-1

DISTRICT BUDGET MONITORING

Corrective Action

- Annual Budget Prepared and Presented to Stakeholders within Statutory Time-Line – On-Going Monitoring of Budget

Responsibility/Point

- Responsible: PCCD Board/Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- September 28, 2010

Status

- The 2010-11 Budget will be presented for review and acceptance by September 28, 2010.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed.** Presented and adopted at the 9/28/10 Board meeting.

2010-2

QUARTERLY FINANCIAL REPORTING

Corrective Action

- Financial Activity Calendar Provided to Board of Trustees

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- September 28, 2010

Status

- A Financial Activity Calendar will be provided to the Board of Trustees at the September Board Meeting for information
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed.** An annual financial activity calendar has been developed and was taken to the Audit and Finance Committee meeting on 10/14. It will then be taken to the 10/26 Board meeting and updated on an annual basis.

2010-3

OVERSIGHT AND MONITORING

Corrective Action

- Formal Comprehensive Review of the PeopleSoft Accounting System

Responsibility/Point

- Responsible: Vice Chancellor For Finance & Administration
- Point: Associate Vice Chancellor of Finance

Due Date

- June 30, 2011

Status

- Staff will be providing a recommendation on the time-line and approach to this corrective action. Add status of position management
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Ongoing** - Business process review has been conducted and items noted as critical have been identified and prioritized. More recently we redesigned PeopleSoft's payroll process to align with desired business process. Currently working on financial aid, automated budget process, and external reporting.

2010-4

CORRECTIVE ACTION PLAN

Corrective Action

- A corrective action plan that will address the progress of implementation of all comments and instances of noncompliance must be prepared and provided to the Chancellor and Board of Trustees on a regular basis.

Responsibility/Point

- Responsible: PCCD Board/Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- Upon Receipt of Audit – 30, 60, 90, 120 day Status Report to Audit Finance Committee and Board of Trustees

Status

- This Corrective Action Matrix List Each 2009-10 Audit Findings and Its Status. The matrix is being used as a tool to address each of the current and prior year findings
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Ongoing** - Corrective action plans for prior audit findings are being implemented and continuously assessed. Status reports have been provided previously to the Audit and Finance Committees with quarterly reports currently to the Board.

2010-5

OTHER POST EMPLOYMENT BENEFITS (OPEB) BOND INVESTMENT ACTIVITIES

Corrective Action

- Receive, Review and Reconcile the Monthly Investment Activity

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2011

Status

- During the Month of July, the Board of Trustees and Audit and Finance Committee were provided an update on the Investment Activity
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Beginning in the month of October 2010, all investment accounts are being reconciled and reviewed on a monthly basis. Training will be provided to staff during fall 2011 for formal reconciliation procedures.

2010-6

SWAP INVESTMENT ACTIVITY

Corrective Action

- Prepare, Review and Adopt Policy on Use of Interest Rate Swap Agreements

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2011

Status

- The VICE CHANCELLOR FOR FINANCE & ADMINISTRATION is working with new bond financial adviser in the development of appropriate policy, procedures and practices on interest rate SWAP agreements
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed**
- Development of new policy, procedure, and SOP completed in January presented in February
- Draft investment policy and administrative procedure to the March 15, 2011 Board meeting. 5/14/2011 – BOT approved Investment Policy and Administrative Procedure
- SWAP policy to be developed by independent Retirement Board. In Process – At June Retirement Board, Retirement Board will revisit investment policy.
- To be completed as part of a comprehensive OPEB restructure

2010-7 CASH IN COUNTY RECONCILIATIONS

2010-8 BANK ACCOUNT RECONCILIATIONS

Corrective Action

- Cash and Bank Accounts Reconciled Monthly

Responsibility/Point

- Responsible: Vice Chancellor For Finance & Administration
- Point: Associate Vice Chancellor for Finance

Due Date

- June 30, 2011

Status

- The PCCD is reviewing its policy regarding cash and bank account reconciliation and is revising and implementing necessary changes
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed**
- SOP has been development and now being implemented. Cash accounts currently being reconciled timely and reviewed by the Associate Vice Chancellor for Finance/ Vice Chancellor for Finance and Administration.

2010-9

INTERNAL AUDIT FUNCTION

Corrective Action

- Develop a Risk Assessment Program and Perform Regular Reviews of Programs, Services and Activities

Responsibility/Point

- Responsible: Vice Chancellor For Finance & Administration
- Point: Internal Auditor

Due Date

- June 30, 2011

Status

- The PCCD is in the hiring process of an Internal Auditor to perform risk assessment
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed**
- Individual started April 4, 2011

2010-10

CAPITAL ASSET ACCOUNTING

Corrective Action

- Identify and Train Personnel in Accounting of Capital Assets

Responsibility/Point

- Responsible: Vice Chancellor For Finance & Administration
- Point: Associate Vice Chancellor for Finance

Due Date

- June 30, 2011

Status

- The Vice Chancellor For Finance & Administration is identifying and having trained personnel in the accounting and recording of capital assets
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed**
- Training has occurred.
- Implementing asset management module within PeopleSoft.

2010-11

FINANCIAL ACCOUNTING SYSTEM PROCEDURES

Corrective Action

- A Review of the Capabilities of PeopleSoft Financial Accounting Software System

Responsibility/Point

- Responsible: Vice Chancellor For Finance & Administration
- Point: Associate Vice Chancellor for Finance

Due Date

- June 30, 2011

Status

- Staff will be providing a recommendation on the time-line and approach to this corrective action.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Publishing of Monthly Variance Reports, development of additional queries and reports.

2010-12

STUDENT ENROLLMENT FEE REPORTING

Corrective Action

- Consistent Procedure for Accounting and Remittance of All Student Fees

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2011

Status

- The PCCD authorized a position to work between student and finance.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Student Analyst position has been created and an individual has been hired. Further, an Administrative Procedure has been created covering the collection and remittance of fees collected.

2010-13

WRITTEN PROCEDURE MANUALS

Corrective Action

- Written Procedure Manuals Developed for District and Business Offices

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2012

Status

- Procedures manuals are in process.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- Procedures manual **in process**. Areas where drafts exist are Purchasing and Accounts Payable. Budget and Budget development in process.
- Accounting procedures 5/17/2011 - 50% completed.

2010-15

ACCURAL ACCOUNTS

Corrective Action

- Adequate Controls Over Year-End Closing Process. Training of District Staff on Accounting Principles

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2011

Status

- The PCCD will institute adequate controls and provide training to staff.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed.**
- Training has been conducted. On-going training is being planned during the course of the fiscal year. Closing checklists have been implemented for the fiscal year ending 6/30/2010.

2010-16

LOAD BANKING

Corrective Action

- Revise Policies to Conform with Current Internal Revenue Service (IRS) Section Regulations Regarding “Load Banking”.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration and VC of HR

Due Date

- June 30, 2011

Status

- The PCCD is receiving annual load banking records to accrue the liability for year-end financial reporting. The PCCD policy will be modified to eliminate the employee’s option of cashing out their balance in whole or in part to comply with the IRS regulations. PCCD will engage a meet and confer process.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **In process** - Analysis being conducted to determine collective bargaining implications.

2010-17

DISASTER RECOVERY AND STRATEGIC PLANNING

Corrective Action

- Continue to Review and Implement the Draft Disaster Recovery Plan (DRP) for the Information Systems Department. DRP Should Cover all Operating Systems and be Tested Annually. DRP Should Include Procedures that Ensure Recovery and Restoration of all Systems.

Responsibility/Point

- Responsible: Vice Chancellor of Educational Services
- Point: Associate Vice Chancellor of Information Technology

Due Date

- June 30, 2011

Status

- The PCCD is reviewing and implementing the draft DRP. The System will be tested by June 30, 2011. The DRP will include procedures that will ensure recovery and restoration of the systems in the event of a disaster.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- Calendar developed for routine testing of disaster recovery system
- Off Campus Hosting back up files
- New infrastructure implementation is underway and will be completed by October 2011, designed to facilitate more robust, scalable, and effective disaster recovery.
- An external assessment is currently being conducted

2010-18

SCHEDULE EXPENDITURES OF FEDERAL AWARDS

(SEFA)/SCHEDULE OF EXPENDITURES OF STATE AWARDS (SESA)

Corrective Action

- Review Procedures and Format Over Collection of Data in the SEFA/SESA to Ensure it Includes All Required Elements

Responsibility/Point

- Responsible: Vice Chancellor of Finance
- Point: Associate Vice Chancellor of Finance

Due Date

- June 30, 2011

Status

- The PCCD will review its procedures and format over the collection of data to be included in the SEFA/SESA.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** but additional time may be needed pending audit review. During the fiscal year end closing process many grants/projects required substantial "clean up" that will impact the preparation of this report.

2010-19

COLLEGE BUSINESS OFFICE ACTIVITY

Corrective Action

- Review Guidelines for Receipt and Use of General Fund Monies Deposited within the Accounts. All Activity Reconciled and Provided in a Timely Manner. Amounts within the Trust Fund Belonging to the District Forwarded to District with a Full Reconciliation and Accounting

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- December 31, 2010

Status

- The PCCD will review the current guidelines and all activity will be reconciled in a timely manner. Trust funds will be forwarded with a reconciliation and accounting.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **In Progress** - Guidelines have been developed and distributed to the campus business managers outlining timelines for forwarding funds to the District.

2010-20

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Corrective Action

- The Allowance for Doubtful Accounts – Need Review and Analysis Throughout the Year – Properly Adjusted for Current Year Activities

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- On-Going

Status

- The PCCD will develop a process to analyze accounts. The PCCD is implementing a new module in the student finance system that will set up payment plans for students.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Payment plan program has been implemented. Additionally, the District is now participating in the State's Co Tops program in effort to collect receivables. AR policies need to be developed.

2010-21

ACCOUNTING FOR EXPENSES

Corrective Action

- Review and Understand Disbursement Policies and Procedures – AP Staff Ensure Expenditures are Classified and all Documents are Present Prior to Disbursement of Funds for Payment.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- December 31, 2010

Status

- The PCCD will review and understand the disbursement policies and procedures. AP staff will ensure that expenditures are classified and all pertinent documents are present prior to disbursement of funds for payment.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Training materials developed with a training workshop held February 24th.

2010-22

EMPLOYEE CONTRACTS

Corrective Action

- Employment Contracts and Salary Increases are Approved and Accepted by the Chancellor within a Week of the Employee's Acceptance

Responsibility/Point

- Responsible: Chancellor
- Point: VC of HR/Vice Chancellor For Finance & Administration

Due Date

- On-Going

Status

- The PCCD will ensure that employment contracts and salary increases are approved and accepted by the Chancellor within 30 days of Employee's acceptance.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** – Vice Chancellor of HR has implemented procedures to assure new employee contracts are accepted and signed as a condition of employment.

2010-23

JOURNAL ENTRIES

Corrective Action

- Process of recording Transfers and Journal Entries Evaluated for Proper Internal Controls. Segregation of Duties with Responsibility for Review and Reconciliation Maintained at the Supervisory Level. Written Procedures Prepared on Proper Controls and Procedures.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- June 30, 2011

Status

- Written procedures will be prepared on the proper controls and procedures. Only managers and supervisors can post journal entries.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **Completed** - Budget and accounting procedures are being reviewed and revised. Procedures regarding the creation, review and posting of budget transfers and journal entries have been completed and implemented.

2010-24

PAYROLL FINDING

Corrective Action

- Implementation of new procedures to strengthen internal controls over tracking, reporting, and payout of compensated absences.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor for Finance and Administration and Vice Chancellor of Human Resources

Due Date

- June 30, 2012

Status

- Written procedures have been prepared and are being implemented to assure future vacation payouts are paid to appropriate accounting codes. The District will be implementing Time and Labor as well as Leave Absences features within PeopleSoft to automate the process.

Systematic/Source Integration

- **In process** - Implementation of T&L and LA of PeopleSoft to be completed by June 30, 2012.

2010-25

STUDENT FINANCIAL AID DISBURSEMENTS

Corrective Action

- Adopt, implement, and monitor procedures that will allow for the disbursement of payments to be completed in a way that mitigates the risk of unauthorized disbursements and ensures that payments are properly recorded (not through the use of trust accounts).

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor for Finance and Administration and Vice Chancellor of Student Services

Due Date

- June 30, 2012

Status

- The District will develop and implement procedures and policies regarding all financial aid disbursements to ensure proper coding and discontinue the use of trust accounts within the financial aid disbursement process.

Systematic/Source Integration

- **In process** - The development of procedures underway.

2010-26

CCFS-320 ATTENDANCE REPORTING

Corrective Action

- Careful Calculation and Preparation of the CCFS-320 Attendance Reports. Documentation Reviewed and a Procedure to Cross Check and Verify the Amounts to be Reported to the Chancellor and Submission to the State.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration and VC of Educational Services

Due Date

- December 31, 2010

Status

- CCFS-320 Attendance Reports will be calculated and prepared carefully. Supporting documents will be carefully reviewed and a procedure to cross check and verify the amounts reported will be completed prior to submittal.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- Cross checking through testing and confirmation with Business Intelligence Tool (BI)
- **Completed**

2010-27

CALWORKS – REPORTING

Corrective Action

- Timelines of Required Categorical Reporting must be Documented and Sent to all Program Directors – Supervisory Personnel to Ensure Reporting is Complete and Accurate. General Ledger is Posted Timely and Accurately for all Categorical Programs to Ensure Accuracy of Reporting

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor of Educational Services

Due Date

- December 31, 2010

Status

- Documentation of categorical reporting will occur and will be forwarded to all program directors. Supervisory personnel will ensure the reporting is complete and accurate.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- **In process** - Training of staff and Vice Presidents of Student Services on accurate collection of student data
- **Completed** – General ledger activity is posted timely and accurately.

2010-28

STUDENTS ACTIVELY ENROLLED

Corrective Action

- Program Written to Allow Admissions and Records Office to Identify the Rosters that has not Properly Turned in by Instructors. Admissions and Records Office Follow-Up with Instructors on Requirements to Identify Students who are not Enrolled.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor of Educational Services, Vice Chancellor of Student Services and Vice Chancellor of Finance

Due Date

- December 31, 2010

Status

- Program will be written to allow Admission and Records Office to identify the rosters that have been turned in by the instructors to determine completeness and accuracy.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- Training by Staff Development Coordinator of Faculty on correct use of rosters and grade reports.
- Regular follow up with instructional staff and administration on the campus.
- Regular reports distributed to Presidents
- **In process.**

2010-29

USE OF MATRICULATION FUND

Corrective Action

- Identify an Individual Responsible to Monitor State Compliance Issues Related to all Compliance Areas and Ensure that Deadlines are met and Reports are Accurate.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor of Educational Services and Vice Chancellor of Finance

Due Date

- December 31, 2010

Status

- The PCCD has identified individuals that will monitor State compliance issues related to all compliance areas and ensure that deadlines are met and reports are accurate and filed in a timely manner. In terms of internal controls, PCCD has established a reporting calendar and hired an Internal Auditor on March 15, 2011, whom will monitor and follow-up on compliance related matters.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- Training of staff
- Oversight by management to ensure knowledge of grants received, proper set up of grants and follow through
- **Completed**

2010-30

ENROLLMENT FEES REPORTING

Corrective Action

- Careful Preparation of the Reporting Forms for the State System's Office. Reconciliation of Amounts to be Reported to General Ledger Signed off by Supervisory Personnel Prior to Submitting the Documents.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor For Finance & Administration

Due Date

- December 31, 2010

Status

- Care will be taken in completing the required reporting forms for the State's System's Office. Reconciliation of amounts to be reported to the general ledger will be signed off by supervisory personnel prior to submitting the documents.
- (Refer to VTD Audit Response)

Systematic/Source Integration

- A financial reporting procedure being developed that calls for appropriate checks and balances.
- **Completed** - External reporting is now reconciled with general ledger prior to signature by Vice Chancellor for Finance (i.e.323).

2010-31

GANN LIMIT CALCULATION

Corrective Action

- Reconciliation of amounts to be reported should be signed off by supervisory personnel prior to submitting the documents.

Responsibility/Point

- Responsible: Chancellor
- Point: Vice Chancellor for Finance and Administration

Due Date

- June 30, 2011

Status

- The District has implemented procedures to internal controls are present to identify and correct transposition errors while preparing financial reports.

Systematic/Source Integration

- **Completed**
- Procedures implemented