



To the Finance Committee  
of Foothill-De Anza Community College District

In planning and performing our audit of the financial statements of Foothill-De Anza Community College District as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Foothill-De Anza 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 opinion 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 18, 2011. This letter does not affect our report dated November 18, 2011, on the financial statements of Foothill-De Anza Community College District.

### **Personnel Expenditures**

Best practices over funds disbursed include internal controls that are to detect and prevent errors and misstatements and to limit the opportunity for misappropriation to occur. Internal controls rely on segregation of duties designed to ensure that no one person has the capability to, both set up employees and payrates, and to process payroll. We noted an internal control area that could potentially be strengthened in that Payroll and Human Resources departments currently have read/write access to each others' data screens.

### **Recommendation**

We recommend that the District consider the potential of the design of the system and whether or not any improvements can be made to strengthening the controls over processing of disbursements by allowing read only access to other departments data. In the meantime, we recommend that after the fact reviews of transactions be stepped up to mitigate the increased risk in this area.

### **District Response**

The District has made changes to the Human Resource system in order to restrict access to predefined roles and forms. Effective November 1, 2011, Human Resource staff are allowed access to enter information in screens for hiring and the set-up of employment assignments. However, Human Resource staff are provided with read only access to relevant Payroll screens. In turn, Payroll Services staff are allowed access to enter information in predefined payroll screens, and they are provided with read only access to relevant human resources related screens.

With the implementation of these enter/read only changes, no one person in Human Resources or Payroll Services has the capability to set up employees and pay rates and process payroll.

### **Capital Asset Management**

We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds, and also maintains an inventory of information technology equipment. However, due to limitations of time and resources the inventory procedures has been limited just to those items charged to Federal funds and information technology equipment. The last full equipment and vehicle inventory was conducted in 2002 by an outside contractor.

In addition, we noted that capital asset disposal records often are not specific enough to allow the capital asset manager to remove the appropriate item from the capital asset records. Not being able to identify capital assets disposed of leads to an overstatement of capital assets where the list used for management and insurance purposes may include items that are no longer in the districts possession.

### **Recommendation**

We encourage the District to consider a policy of periodically inventorying all equipment in order to update the financial records supporting the amounts reported on the entity-wide statement of net assets, and to determine if any updates to appropriate insurance coverage limits are needed to manage risks of loss.

We also recommend that those completing capital asset disclosure forms be encouraged to be as detailed as possible, and record serial numbers or other specific identification features, where applicable. Performing a periodic inventory as noted above will also assist in identifying capital assets that are no longer owned by the District.

### **District Response**

The District will implement a system to physically monitor the capital assets inventory, including disposal of assets. Beginning in fiscal year 2011-12, the District will select a sample of assets to test. The sample will be stratified to capture a significant portion of the inventoried assets. These assets will be physically observed and compared to the capital asset records. If differences are found, the capital asset records will be updated to reflect the most current information. Each year, thereafter, additional inventory samples will be selected and the same procedure will be applied. Additionally, the accounting department will work closely with the risk management department to ensure that we have appropriate insurance coverage limits to manage risk of loss.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Vaurinek, Ture, Day & Co LLP*

Pleasanton, California  
November 18, 2011