

**COMPTON
COMMUNITY COLLEGE DISTRICT**

**MEASURE CC GENERAL OBLIGATION BOND
AUDIT REPORT**

JUNE 30, 2011

**COMPTON
COMMUNITY COLLEGE DISTRICT**

**MEASURE CC GENERAL OBLIGATION BOND
FINANCIAL AUDIT**

JUNE 30, 2011

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**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

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INDEPENDENT AUDITORS' REPORT

Governing Board and
Citizens' Oversight Committee
Compton Community College District
Compton, California

We have audited the accompanying financial statements of the Measure CC General Obligation Bond (the Bond Fund) of Compton Community College District (the District) as of June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 2 of the Notes to Financial Statements, the Bond Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified accrual basis of the Measure CC General Obligation Bond of Compton Community College District as of June 30, 2011, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, on our consideration of the District's internal control over financial reporting for the Measure CC General Obligation Bond and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Vavrinek, Trine Day & Co. LLP

Rancho Cucamonga, California
March 15, 2012

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**BALANCE SHEET - MODIFIED ACCRUAL BASIS
JUNE 30, 2011**

ASSETS

Investments	\$ 12,751,659
Accounts receivable	2,185,503
Due from other funds	346,076
Total Assets	<u><u>\$ 15,283,238</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 2,356,358</u>
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FUND BALANCE

Unreserved	
Designated	<u>12,926,880</u>

Total Liabilities and Fund Balance	<u><u>\$ 15,283,238</u></u>
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See the accompanying notes to financial statements.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES

Local revenues	\$ 2,317,175
Total Revenues	<u>2,317,175</u>

EXPENDITURES

Supplies	20
Professional services and other operating expenditures	1,237,526
Capital outlay	1,761,325
Total Expenditures	<u>2,998,871</u>

EXCESS OF EXPENDITURES OVER REVENUES	<u>(681,696)</u>
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OTHER FINANCING SOURCES

Operating transfers in	354,029
Total Other Financing Sources	<u>354,029</u>

EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES	(327,667)
FUND BALANCE, BEGINNING OF YEAR	<u>13,254,547</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 12,926,880</u></u>

See the accompanying notes to financial statements.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The General Obligation Bond Fund (the Bond Fund) is a governmental fund of Compton Community College District (the District). This fund is used to account for the activity of the Proposition 39 General Obligation Bond approved by the voters of the District. These financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District and the changes in its financial position in conformity with accounting standards generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Statement Presentation

The financial statements of the Bond Fund have been prepared on the modified accrual basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the Bond Funds related to the current reporting period. Using this method, revenues are recognized when they are both measurable and available, and expenses are recognized when goods are received or services are rendered. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets and Long-Term Obligations

The accounting and reporting treatment applied to the capital assets and long-term obligations associated with the Bond Fund are determined by its measurement focus. The Bond Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Bond Fund are accounted for in the basic financial statements of Compton Community College District.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains an investment of \$12,751,659 with the Los Angeles County Investment Pool for Measure CC. The fair value of this investment is approximately \$12,757,056 with an average weighted maturity of 600 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2011.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2011, is made up of the following. All amounts have been determined by management to be fully collectable.

Interest	\$ 35,503
Legal settlement	2,150,000
Total Receivables	<u>\$ 2,185,503</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable at June 30, 2011, in the amount of \$2,356,358, represents an amount owed to vendors for both ongoing and completed construction projects.

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 12,926,880</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District is involved with various long-term construction and renovation projects throughout the four College campuses and the District Office. The projects are in various stages of completion and are funded primarily through the voter-approved general obligation bonds.

Litigation

The District may be involved in legal proceedings during the normal course of business related to construction through the Measure CC General Obligation Bond Fund. At this time, District management believes any current proceedings are not material to the financial statements of the Measure CC General Obligation Bond Fund.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board and
Citizens' Oversight Committee
Compton Community College District
Compton, California

We have audited the accompanying financial statements for the Measure CC General Obligation Bond of Compton Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Compton Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Compton Community College District's internal control over financial reporting for the Measure CC General Obligation Bond fund 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 Compton Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Compton Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as items 2011-1 through 2011-4.

A *significant deficiency* is 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies as items 2011-5 through 2011-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compton Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compton Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Compton Community College District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Special Trustee and Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, June Day & Co. LLP

Rancho Cucamonga, California
March 15, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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COMPTON COMMUNITY COLLEGE DISTRICT MEASURE CC GENERAL OBLIGATION BOND

FINANCIAL STATEMENT FINDINGS JUNE 30, 2011

The following findings represent material weaknesses, significant deficiencies, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2011-1 YEAR END CLOSING AND ACCOUNTING PROCESSES

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - As has been noted in prior years' audits, the District's internal controls have not been implemented to a sufficient degree to prevent and detect material misstatements from occurring during the year and in the closing process. Significant adjustments to the District's accounting records were noted during the audit process that affected the following accounts:

- Invoices related to construction expense were not properly monitored and accrued during the closing process resulting in a \$206,691 accrual adjustment for accounts payable in the Bond Fund.
- Prior year audit findings relating to questioned costs for the Bond Fund were not implemented resulting in a \$346,076 adjustment to transfer the questioned costs from the Bond Fund to the District's Unrestricted General Fund.

The District's accounting staff has undergone significant changes in personnel over the past several years and it appears the inconsistency in staffing at both the entry level for these transactions and the supervisory level to review and analyze accounting entries has contributed to this condition.

Recommendation

Consistent and adequately trained staff at all areas within the District Business Office must be a high priority of the District. The Chief Business Officer position was open during the year-end closing process, as well as several other key positions which would have aided in ensuring all amounts had been properly accounted for. The priority of the District to fill these positions and train staff within the Business Office should be the highest priority of the District. The adjustments noted during the audit should be posted to the District's general ledger as soon as possible as the effect will be to reduce beginning balances and may impact the ability of the District to meet budgetary obligations.

District Response

The District concurs with the finding and recommendation; however, the adjusted trial balance prepared by the District consultants, which was presented to the auditors, was subsequently determined by the auditors to contain material errors and, hence, the audit adjustments proposed.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

Procedures have now been implemented to ensure that all adjustments, corrections, and journal entries are reviewed and signed off by the Accounting Manager before transactions are posted to the accounting systems. The supporting documents for all journal entries are filed and were also made available for this audit.

2011-2 FINANCIAL REPORTING SYSTEM RECONCILIATIONS

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported Datatel System. Datatel is primarily used for student records and student services transactions with PeopleSoft being the actual official books or record for budget monitoring, daily transactional analysis, and audit purposes. We noted the two systems are not reconciled on a regular basis for all accounts and, at year end, significant differences were noted in the revenues recorded. As the official books of record are the PeopleSoft system, it is these transactions that have been included within the audit procedures and required adjustment described in financial statement finding 2011-1.

Recommendation

A process to reconcile these two systems on a monthly basis must be initiated immediately. This can be accomplished through electronic uploads and reconciliations or through supervisory level manual reconciliations of all accounts. These reconciliations should be maintained to document that all transactions have been appropriately recorded throughout the year.

District Response

The District concurs with the finding and recommendation. The District is establishing procedures to ensure that both the Datatel and PeopleSoft financial systems are reconciled on a monthly basis. The District has recently taken actions to ensure that reconciliations prepared by staff are reviewed and signed off by the Accounting Manager before transactions are posted. All reconciliation documents, including reports generated after the posting, are reviewed and filed for management review and audits.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

2011-3 MANAGEMENT OVERSIGHT AND MONITORING

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - During the past five years, the District Business Office leadership has been under five different Chief Business Officers. The turnover has exacerbated the conditions noted above and has frustrated attempts at providing training of Business Office staff. During the year-end closing of the financial transactions for the 2010-2011 fiscal year, the Accounting Manager also left the District. This lack of continuity within the Business Office function has made it difficult for staff to properly address issues noted in past audits and other reviews, as well as to maintain a corporate knowledge of the history of transactions and resolutions.

Recommendation

The District needs to develop and implement a plan to attract and support adequately trained business managers and supervisors within the Business Office. The training of staff should be a primary objective of the individuals placed in these roles with sound internal control policies and practices a key component of the training, as well as general accounting theory training. An assessment of the accounting skills of the Business Office personnel should be conducted by the Chief Business Officer to ensure individuals have been assigned the proper tasks based upon their skill levels.

District Response

The District concurs with recommendation. The District will continue to train and support managers and staff within the Business Office through professional development workshops and in-house training. The roles and responsibilities assigned are now being closely assessed and monitored, with quantifiable outcome and timelines for completion of tasks. These measurable tasks become the basis for review and training of staff. Recruitment is underway for a qualified Chief Business Officer.

2011-4 CORRECTIVE ACTION PLAN

Criteria or Specific Requirement

Best business practices require a system of controls and monitoring to identify and correct current and prior deficiencies and recommendations.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

Condition

Material Weakness - The District was unable to provide a corrective action plan for deficiencies, both financial statement and compliance, noted in the prior year audit. As a result, deficiencies noted in prior years have been carried forward and are again included in the current year audit, and the conditions continue to exist. This appears to be the direct result of the turnover of supervisory staff within the District Business Office as noted in previous comments.

Recommendation

The District must develop an implementation plan for the recommendations noted. Ongoing monitoring of the responses put forth by District personnel must be a high priority of the Chief Executive Officer and the Special Trustee to ensure the conditions are corrected in a timely manner and the procedures followed by District personnel are in line with District policies.

District Response

The District concurs with the finding and recommendation. The Chief Business Officer, the Chief Executive Officer, and the Special Trustee will continue to closely monitor all audit findings and action plans to correct audit deficiencies in a timely manner.

2011-5 GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

Criteria or Specific Requirement

Article XIII A of the California Constitution, *Education Code*, the Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require the District maintain a sound financial system that supports financial reporting and compliance with Bond expenditure guidelines.

Condition

Significant Deficiency - The District's General Obligation Bond projects are currently managed by an outside construction manager. We have noted differences in communication between the Project Manager and the District Business Office that have resulted in approvals of purchase orders and invoices not being obtained prior to the start of work, payment process sheets not being signed by the Business Office, and payments made to vendors more than ninety days from receipt of goods and services. The allocation of costs between the General Obligation Bond Fund and State funded construction project fund has not been documented for jointly funded projects. It appears one of the primary causes of this situation has been the turnover in the Business Office personnel.

COMPTON COMMUNITY COLLEGE DISTRICT MEASURE CC GENERAL OBLIGATION BOND

FINANCIAL STATEMENT FINDINGS JUNE 30, 2011

Recommendation

The District should establish a direct line of communication with the Project Manager to ensure that all projects have been properly approved and signed prior to the start of the project and also to ensure that payments to vendors are made on a timely basis. Additionally, as the District is able to stabilize the personnel in the Business Office, specific training on the types of expenditures to be charged to the General Obligation Bond Fund should be provided as the expenses must be in accordance with the General Obligation Bond requirements approved by the local voters.

District Response

The District is researching the items identified by the auditors. Once factual information is gathered, we will present that information to the auditors. The District agrees that the Special Trustee will take action to loan funds from the Bond fund to the Capital Outlay Projects fund for cash flow purposes.

2011-6 JOURNAL ENTRY PROCEDURES

Criteria or Specific Requirements

Best business practices require a system of controls and monitoring to identify and correct current and prior deficiencies and recommendations.

Condition

Significant Deficiency - The process for posting journal entries to the general ledger has continued to cause issues with account balances and classifications. Individual accounts analyzed during the audit process note journal entries being made reversed, duplicated, and posted backwards. This was exacerbated during the year-end closing process as journal entries were prepared and entered into the system with little oversight, review, and approval. Back-up documentation for these journal entries was not clear to provide the reason for the entry to have been posted. As a result of the audit process, audit adjustments have been recommended and posted to properly state the account balances.

Recommendation

A clear written process to prepare, post, and review journal entries must be established. This process should include supervisory review of all entries with supporting documentation maintained which clearly notes the reason for the entry, whether it is an original entry or a correcting entry, and the offsetting accounts that will be impacted. This documentation should be maintained by the Business Manager and available for review and audit.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

District Response

The District has recently implemented this recommendation. All journal entries prepared by staff are reviewed and signed off by the Accounting Manager before transactions are posted. Once the journals are posted, the journal voucher, along with all supporting documents, are reviewed again by the Accounting Manager and are filed for review or audits. This file was presented to the auditors when it was requested.

2011-7 CITIZENS' BOND OVERSIGHT COMMITTEE

Criteria or Specific Requirements

Pursuant to the Constitution and laws of the State of California, including the provisions of Chapter 1.5 of Part 10, Article 2, Section 15282 of the California *Education Code*, the Citizens' Oversight Committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the Citizens' Oversight Committee shall be comprised as follows:

1. One member shall be active in a business organization representing the business community located within the District.
2. One member shall be active in a senior citizens' organization.
3. One member shall be active in a bona fide taxpayers' organization.
4. For a community college district, one member shall be a student who is both currently enrolled in the District and active in a community college group, such as a student government. The community college student member may, at the discretion of the Board, serve up to six months after his or her graduation.
5. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the District, such as a member of an advisory council or foundation.

In addition, no employee or official of the District shall be appointed to the Citizens' Oversight Committee. No vendor, contractor, or consultant of the District shall be appointed to the Citizens' Oversight Committee.

Condition

Significant Deficiency - During our review of the Citizens' Oversight Committee members, it was noted that the District currently does not have the minimum required number of Citizens' Oversight Committee members. The District does not have a member active in a senior citizens' organization, a student both currently enrolled in the District and active in a community college group, and an active member in a bona fide taxpayers' organization.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

Recommendation

It is recommended that the Board of Trustees appoint the minimum required number of members to the Citizens' Oversight Committee as required by the California Constitution.

District Response

The District concurs with the finding and recommendation. The District is in the process of selecting members to serve on the Citizens' Bond Oversight Committee.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2010-1 YEAR END CLOSING AND ACCOUNTING PROCESSES

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - As has been noted in prior years' audits, the District's internal controls have not been implemented to a sufficient degree to prevent and detect material misstatements from occurring during the year and in the closing process. Significant adjustments to the District's accounting records were noted during the audit process that affected the following accounts:

- Invoices related to construction expense were not properly monitored and accrued during the closing process resulting in a \$120,000 accrual for accounts payable in the Bond Fund.

The District's accounting staff has undergone significant changes in personnel over the past several years and it appears the inconsistency in staffing at both the entry level for these transactions and the supervisory level to review and analyze accounting entries has contributed to this condition.

Recommendation

Consistent and adequately trained staff at all areas within the District Business Office must be a high priority of the District. The Chief Business Officer position was open during the year-end closing process, as well as several other key positions which would have aided in ensuring all amounts had been properly accounted for. The priority of the District to fill these positions and train staff within the Business Office should be the highest priority of the District. The adjustments noted during the audit should be posted to the District's general ledger as soon as possible as the effect will be to reduce beginning balances and may impact the ability of the District to meet budgetary obligations.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Current Status

Not implemented. See current year financial statement finding 2011-1.

2010-2

FINANCIAL REPORTING SYSTEM RECONCILIATIONS

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported Datatel System. Datatel is primarily used for student records and student services transactions with PeopleSoft being the actual official books or record for budget monitoring, daily transactional analysis, and audit purposes. We noted the two systems are not reconciled on a regular basis for all accounts and, at year end, significant differences were noted in the revenues recorded. The primary area of unreconciled differences is in the revenue and transfer accounts. As the official books of record are the PeopleSoft system, it is these transactions that have been included within the audit procedures and required adjustment described in comment 2010-1.

Recommendation

A process to reconcile these two systems on a monthly basis must be initiated immediately. This can be accomplished through electronic uploads and reconciliations or through supervisory level manual reconciliations of all accounts. These reconciliations should be maintained to document that all transactions have been appropriately recorded throughout the year.

Current Status

Not implemented. See current year financial statement finding 2011-2.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

2010-3 MANAGEMENT OVERSIGHT AND MONITORING

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

Material Weakness - During the past four years, the District Business Office leadership has been under five different Chief Business Officers. The turnover has exacerbated the conditions noted above and has frustrated attempts at providing training of Business Office staff. During the year-end closing of the financial transactions for the 2009-2010 fiscal year, the Accounting Manager and a key accountant also left the District. This lack of continuity within the Business Office function has made it difficult for staff to properly address issues noted in past audits and other reviews, as well as to maintain a corporate knowledge of the history of transactions and resolutions.

Recommendation

The District needs to develop and implement a plan to attract and support adequately trained business managers and supervisors within the Business Office. The training of staff should be a primary objective of the individuals placed in these roles with sound internal control policies and practices a key component of the training, as well as general accounting theory training. An assessment of the accounting skills of the Business Office personnel should be conducted by the Chief Business Officer to ensure individuals have been assigned the proper tasks based upon their skill levels.

Current Status

Not implemented. See current year financial statement finding 2011-3.

2010-4 CORRECTIVE ACTION PLAN

Criteria or Specific Requirement

Best business practices require a system of controls and monitoring to identify and correct current and prior deficiencies and recommendations.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Condition

Material Weakness - The District was unable to provide a corrective action plan for deficiencies, both financial statement and compliance, noted in the prior year audit. As a result, deficiencies noted in prior years have been carried forward and are again included in the current year audit, and the conditions continue to exist. This appears to be the direct result of the turnover of supervisory staff within the District Business Office as noted in previous comments.

Recommendation

The District must develop an implementation plan for the recommendations noted. Ongoing monitoring of the responses put forth by District personnel must be a high priority of the Provost and the Special Trustee to ensure the conditions are corrected in a timely manner and the procedures followed by District personnel are in line with District policies and Federal and State compliance requirements.

Current Status

Not implemented. See current year financial statement finding 2011-4.

2010-5

GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

Criteria or Specific Requirement

Article 13 A of the California Constitution, *Education Code*, the Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require the District maintain a sound financial system that supports financial reporting and compliance with Bond expenditure guidelines.

Condition

Significant Deficiency: The District's General Obligation Bond projects are currently managed by an outside construction manager. We have noted differences in communication between the Project Manager and the District Business Office that have resulted in approvals of purchase orders and invoices not being obtained prior to the start of work, contracts being entered into prior to signing by authorized District personnel and/or the contractor. The allocation of costs between the General Obligation Bond Fund and State funded construction project fund has not been documented for jointly funded projects. It appears one of the primary causes of this situation has been the turnover in the Business Office personnel.

**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Recommendation

The District should establish a direct line of communication with the Project Manager to ensure that all projects have been properly approved and signed prior to the start of the project. Additionally, as the District is able to stabilize the personnel in the Business Office, specific training on the types of expenditures to be charged to the General Obligation Bond Fund should be provided as the expenses must be in accordance with the General Obligation Bond requirements approved by the local voters.

Current Status

Not implemented. See current year financial statement finding 2011-5.

**COMPTON
COMMUNITY COLLEGE DISTRICT**

**MEASURE CC GENERAL OBLIGATION BOND
PERFORMANCE AUDIT**

JUNE 30, 2011

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**COMPTON COMMUNITY COLLEGE DISTRICT
MEASURE CC GENERAL OBLIGATION BOND**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board and
Citizens' Oversight Committee
Compton Community College District
Compton, California

We were engaged to conduct a performance audit of Compton Community College District (the District) Measure CC General Obligation Bond Fund for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure CC General Obligation Bond Fund only for the specific projects approved by the voters in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Rancho Cucamonga, California
March 15, 2012

COMPTON COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND FUND (MEASURE CC)

JUNE 30, 2011

AUTHORITY FOR ISSUANCE

The Measure CC Bond Funds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on November 5, 2002, (the County Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District.

The District received authorization at an election held on November 5, 2002, to issue general obligation bonds of the District in an aggregate principal amount not to exceed \$100,000,000 to repay the District's certain outstanding general obligation bond anticipation notes and to finance the acquisition, construction, and modernization of certain District property and facilities. The projects were approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The first series of the authorized bonds issued was in January 2004 as Series 2004A in the amount of \$41,000,000. The second series of authorized bonds issued was in August 2009 as Series 2009B in the amount of \$15,000,000.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2002 Authorization will be used for the purposes specified in the District bond proposition submitted at election, which will include repaying the District's certain outstanding general obligation bond anticipation notes and to finance the acquisitions, construction, and modernization of certain District property and facilities in accordance with the ballot measure for the Bond.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other operating expenses.

The District must list the specific projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

Requires the appointment of a citizens' oversight committee to review and monitor the various projects and report to the community the progress of the projects.

**COMPTON COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND (MEASURE CC)**

JUNE 30, 2011

Requires an annual independent financial audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

Requires an annual independent performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

The objective of our audit is to meet the compliance requirement to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. Our audit was conducted in accordance with generally accepted standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to provide conclusions to our audit objectives.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011, were included within the scope of our audit for the purpose of determining the proper accounting period for the expenditure.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the General Obligation Bond Fund (Measure CC). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure CC as to the approved bond project list. We performed the following procedures:

1. We reviewed District procedures for disbursement of funds related to the voter approved Measure CC general obligation bonds in order to determine if procedures were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. Based on our review of the procedures followed for the expenditure of Bond Funds, we noted the following areas for improvement:
 - A. We noted multiple instances in which the purchase order was not approved and amounts were not encumbered until after work was performed. This was the case for 3 of the 60 transactions reviewed. See current year financial statement finding 2011-5.

**COMPTON COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND (MEASURE CC)**

JUNE 30, 2011

- B. We noted that the procedures for processing expenditures within the Bond Funds were not consistent. A "Payment Processing" form which details the account code to be charged and documents the approval by various members of management had no signature of approval by members of management. This was the case for 4 of the 60 transactions reviewed. See current year financial statement finding 2011-5.
 - C. We noted multiple instances in which payments to vendors were made more than 90 days from the date of the invoice. This was the case for 4 of the 60 transactions reviewed. See current year financial statement finding 2011-5.
- 2. We reviewed the detailed account of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.
 - A. No questioned costs were noted.
 - 3. We selected a sample of expenditures for the period July 1, 2010 through June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the voter approved bond language.
 - A. No questioned costs were noted.
 - 4. We analyzed the balance of the Bond Funds available for future projects as of June 30, 2011. The available unspent funds as of June 30, 2011, were \$12,926,880.
 - 5. Review minutes of meetings of the Citizens' Bond Oversight Committee.
 - A. As a result of reading minutes of the Oversight Committee, we noted only four of the required seven members were approved during the year. Meetings were held irregularly during the year. See current year financial statement finding 2011-7.

CONCLUSION

The results of our tests indicated that, in all significant respects, Compton Community College District has properly accounted for the expenditures held in the General Obligation Bond Fund (Measure CC), and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bond Funds for District general administration or operations. District procedures for disbursement of funds were not applied consistently in accordance with law and regulations, as well as policies approved by the Board of Trustees. See current year financial statement finding 2011-5.