

**COMPTON  
COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

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FINANCIAL AUDIT  
WITH INDEPENDENT AUDITORS' REPORT  
AND  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

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**JUNE 30, 2010**

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**JUNE 30, 2010**

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**COMPTON  
COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

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FINANCIAL AUDIT  
WITH INDEPENDENT AUDITORS' REPORT

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**JUNE 30, 2010**



**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Citizen's Oversight Committee  
Compton Community College District  
Compton, California

We have audited the accompanying financial statements of the General Obligation Bond Fund (the Bond Fund) of Compton Community College District (the District) as of June 30, 2010, 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, 2010, 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 Bond Fund of Compton Community College District as of June 30, 2010, 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 December 29, 2010, on our consideration of the District's internal control over financial reporting for the Bond Fund 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.

Rancho Cucamonga, California  
December 29, 2010

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**BALANCE SHEET - MODIFIED ACCRUAL BASIS  
JUNE 30, 2010**

**ASSETS**

Investments	\$ 14,053,594
Accounts receivable	<u>44,658</u>
<b>Total Assets</b>	<b><u><u>\$ 14,098,252</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 843,705</u>
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**FUND BALANCE**

Unreserved	
Designated	<u>13,254,547</u>

<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 14,098,252</u></u></b>
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See the accompanying notes to financial statements.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - MODIFIED ACCRUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>REVENUES</b>		
Local revenues		\$ 169,941
<b>Total Revenues</b>		<u>169,941</u>
 <b>EXPENDITURES</b>		
Supplies		1,893
Professional services and other operating expenditures		1,708,673
Capital outlay		1,278,245
<b>Total Expenditures</b>		<u>2,988,811</u>
 <b>EXCESS OF EXPENDITURES OVER REVENUES</b>		 (2,818,870)
 <b>OTHER FINANCING SOURCES</b>		
Other sources		15,243,750
<b>Total Other Financing Sources</b>		<u>15,243,750</u>
 <b>EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES</b>		 12,424,880
<b>FUND BALANCE, BEGINNING OF YEAR</b>		829,667
<b>FUND BALANCE, END OF YEAR</b>		<u><u>\$ 13,254,547</u></u>

See the accompanying notes to financial statements.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

***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 and matching funds from the California State System's Office. 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 the Compton Community College District.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

***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  
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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

**Summary of Investments**

Investments as of June 30, 2010, consist of the following:

County Pool - Los Angeles County	Reported Value
	\$ 14,053,594

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 County Investment Pool.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool - Los Angeles County	\$ 14,135,325	536

**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 County Pool is not required to be rated, nor has it been rated as of June 30, 2010.

Investment Type	Fair Value
County Pool - Los Angeles County	\$ 14,135,325

**NOTE 4 - ACCOUNTS RECEIVABLE**

The accounts receivable at June 30, 2010, is made up of the following. All amounts have been determined by management to be fully collectable.

Interest		\$ 44,658
Total Receivables		\$ 44,658

**NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable at June 30, 2010, in the amount of \$843,705, represents an amount owed to vendors for both ongoing and completed construction projects.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

***NOTE 6 - FUND BALANCE***

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 13,254,547</u>

***NOTE 7 - COMMITMENTS AND CONTINGENCIES***

**Litigation**

The District is involved in litigation arising from construction activities that are funded by the Bond. In the opinion of management, the disposition of the litigation is not expected to have a material adverse effect on the overall financial position of the Bond Fund at June 30, 2010.



**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***

Board of Trustees  
Citizen's Oversight Committee  
Compton Community College District  
Compton, California

We have audited the accompanying balance sheet and statement of revenues, expenditures and changes in fund balance for the General Obligation Bond Fund (the Bond Fund) of Compton Community College District (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. 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**

In planning and performing our audit, we considered Compton Community College District Bond Fund's internal control over financial reporting 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 bond Fund'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 recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 recommendations as items 2010-01 through 2010-4 to be material weaknesses.

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 recommendations as item 2010-5 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Compton Community College District's Bond Fund 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 Audit Standards*.

We noted certain matters that we reported to management of Compton Community College District in a separate Report on Agreed-Upon Procedures dated December 29, 2010.

Compton Community College District's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit Compton Community College District's response and, accordingly, we express no opinion on it.

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



Rancho Cucamonga, California  
December 29, 2010

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2010**

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.

**District Response**

The District filled the vacant Chief Business Officer position in December 2010. The focus on the Business Office will be to review the general ledger to insure all postings are correct. Further, training and consistency for Business Office staff is a priority.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2010**

**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. Data Tel 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.

**District Response**

The District has initiated procedures to reconcile DataTel and PeopleSoft. Training and procedures will be developed to reconcile both systems on a monthly basis. The Business Office will examine options to determine if the reconciliation between both systems can work better.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2010**

**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.

**District Response**

The District hired a Chief Business Officer in December 2010 and will begin recruitment of a Budget Analyst and Accounting Manger in January 2011, two key positions within the Business Office. The District plans to provide support and training to the Business Office staff in order to attract and maintain high quality staff. This consistency will help provide stability in the Business Office. The Chief Business Officer is working closely with the Provost and new Special Trustee. Consistency and monitoring of the Business Office activities is a priority.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2010**

**2010-4 CORRECTIVE ACTION PLAN**

**Criteria or Specific Requirement**

**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.

**District Response**

The District hired a Chief Business Officer in December 2010 and will begin recruitment of a Budget Analyst and Accounting Manager in January 2011, two key positions within the Business Office. The District plans to provide support and training to the Business Office in order to attract and maintain high quality staff. This consistency will help provide stability lacking in the Business Office.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2010**

**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.

**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.

**District Response**

The District Business Office has begun a process of weekly meetings with the Project Manager to review the status of all bond projects, their various stages, and upcoming contracts. This process will monitor all bond activates so bond requirements are met and contracts are not entered into prior to approval.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

**2009-1 Accrual Accounts**

**Criteria**

Governmental accounting policies and the California Community College *Budget and Accounting Manual* require the use of the modified accrual basis of accounting within the fund financial statements. Modified accrual requires revenues to be recognized in the period they become available and measurable and expenditures to be recognized in the period the associated liability is incurred. In practice, this is generally within 90 days of year end.

**Condition**

*Material Weakness* - Poor implementation of cut-off procedures associated with the accrual accounts resulted in four invoices presented for services rendered prior to year-end that were not properly accrued.

**Effect**

As a result of the audit of the accrual accounts, an adjustment of approximately \$446,000 was proposed and accepted by management.

**Recommendation**

The District should institute proper controls over the year-end accrual process to ensure that all valid accruals have been included within the financial activity for the year. Training of Compton Community College District Business Office staff and other departments is a key component to ensure the future accountability and reporting of the activities of the District.

**Current Status**

Not implemented. See current year financial statement finding 2010-1.

**2009-2 Fund Balance**

**Criteria**

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

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

**Condition**

*Material Weakness* - The District did not post prior year audit adjustments to the Bond Fund. In addition, journal entries were posted to the fund balance incorrectly. The financial statements required significant adjustments and reclassifications to agree the beginning fund balance to the prior year audited amount.

**Effect**

As a result of the audit of fund balance, an adjustment of approximately \$2,634,000 was proposed and accepted by management to agree the beginning fund balance to the prior year audited amount.

**Recommendation**

The District must post all approved audit adjustments in a timely manner and review all activity to the fund balance to ensure that the fund balance is properly stated.

**Current Status**

Implemented.

**2009-3 Approval of Expenditures**

**Criteria**

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

**Condition**

*Material Weakness* - Expenditures relating to bond construction projects were paid without the required approval form as per District policies and procedures. In addition, we noted several invoices dated before the approved requisition and purchase order, and invoices that did not contain a valid purchase order or requisition.

**Effect**

As a result of auditing the expenditures of the Bond Fund, the District could be at risk of noncompliance with laws and regulations proposed within the bond initiative without having a system of internal control over the approval of expenditures prior to payment.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

**Recommendation**

Industry standards, best practices, and the District's internal policies related to expenditures require a system of internal control over the approval of expenditures prior to payment. All invoices should be documented for approval to ensure compliance with the bond initiative.

**Current Status**

Implemented.

**2009-4 Financial System and Budget Requirements**

**Criteria**

The California *Education Code*, the Community Colleges System'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* - There are two separate accounting systems used to record financial activities and review budgets and variance reports: DataTel, which is controlled and supported at the District level, and the Los Angeles County Office of Education's (LACOE) PeopleSoft which is controlled and supported through LACOE. As a result of the partnership arrangement with El Camino Community College District, the District is utilizing both systems for posting of financial activity. The annual budget has been entered primarily on the DataTel system with the current year revenue and expense. Balance sheet accounts, however, are primarily entered into PeopleSoft. The official accounts and records of the District have been deemed to be the LACOE PeopleSoft system, and the reconciliation of the two systems was not completed during the year. Reports that are required for financial activity for grants and contracts may not reflect the final reconciliation for the income statement accounts completed during the closing process.

We also noted the budgets are not updated within the LACOE PeopleSoft system for changes that are approved during the year. This may not provide program managers and department managers the financial information that is necessary to manage their assigned programs and budgets.

**Effect**

As a result of the two systems not being reconciled during the year, program managers and department managers may use financial information that is not correct to manage their assigned programs and budgets.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

**Recommendation**

The District finance and accounting office must continue to devote adequate resources to reconciling the two systems on a monthly basis until such time that the need for two accounting systems is deemed to be non-essential. Decisions about what accounting system will be used to record and report financial activity should be reviewed and integrated into the overall District strategic goals.

**Current Status**

Not implemented. See current year financial statement finding 2010-2.

**COMPTON  
COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

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INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

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**JUNE 30, 2010**



**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board and Citizen's Bond Oversight Committee  
Compton Community College District General Obligation Bond  
Compton, California

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the management of Compton Community College District (the District) for the purpose of determining compliance with General Obligation Bond (the Bond Fund) requirements for the year ended June 30, 2010. The District's management is responsible for the compliance with General Obligation Bond requirements. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the results are described within this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion relating to the matters included in the Agreed-Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Compton Community College District Governing Board, Citizen's Bond Oversight Committee, and District administrators and is not intended to be and should not be used by anyone other than those specified parties.

*Vavrinek, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
December 29, 2010

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**AGREED-UPON PROCEDURES REPORT  
JUNE 30, 2010**

**A. COMPLIANCE WITH THE TERMS OF THE VOTER APPROVED GENERAL OBLIGATION BONDS AND THE DISTRICT'S APPROVED POLICIES AND PROCEDURES.**

We will review and evaluate the original Bond initiatives placed before the voters to determine the scope of projects that were approved by the voters for the Bond. We will review and evaluate the District's approved policies and procedures related to the Bond activity. We will select a minimum sample of 65 percent of the actual expenditures incurred through the Bond Fund to determine compliances with the Bond initiative and the approved policies and procedures. In the event any questionable expenditures are identified, we will recommend that the District obtain the opinion of Bond counsel as to the legality of the expenditure to the Bond Fund.

**B. REVIEW OF PRIOR YEAR'S COMMENTS RELATED TO THE GENERAL OBLIGATION BOND FUND COMPLIANCE AND PROCEDURES.**

We will prepare a schedule of all comments provided to the District as a result of compliance procedures conducted for the year ended June 30, 2009 and prior years.

We will provide a current status of each comment indicating whether the recommendation was fully implemented, has been partially implemented, or remains an exception as of June 30, 2010.

**C. REVIEW OF PROJECT BUDGETS AND COMPLIANCE WITH BOARD APPROVALS FOR PROJECTS THROUGH THE BOND FUNDS.**

We will obtain the approved budgets for each project in place during the 2009-2010 fiscal year and assess the District's compliance with budget monitoring and communication to the Board when project costs have exceeded approved budgets. We will prepare a schedule of projects, the approved budget, and costs incurred through June 30, 2010, with an analysis of funds overspent or available for future expenditure.

COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND

AGREED-UPON PROCEDURES REPORT  
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Agreed-Upon Procedure (A)

Procedure

COMPLIANCE WITH THE TERMS OF THE VOTER APPROVED GENERAL OBLIGATION BONDS AND THE DISTRICT'S APPROVED POLICIES AND PROCEDURES.

We will review and evaluate the original Bond initiatives placed before the voters to determine the scope of projects that were approved by the voters for the Bond. We will review and evaluate the District's approved policies and procedures related to the Bond activity. We will select a minimum sample of 65 percent of the actual expenditures incurred through the Bond Fund to determine compliances with the Bond initiative and the approved policies and procedures. In the event any questionable expenditures are identified, we will recommend that the District obtain the opinion of Bond counsel as to the legality of the expenditure to the Bond Fund.

Results

We received copies of the Measure CC Bond Initiative (the Initiative) approved by the local voters on March 2, 2004, from management of the District and verified expenditures during the year July 1, 2009 through June 30, 2010, to determine compliance with the parameters of the Initiative approved by the voters on March 2, 2004. The following table notes the categories of expenditure and the dollars included in our procedures:

FUND 42

<u>Category of Expense</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
Supplies and materials	\$ 1,893	\$ 1,045	55%
Services and operating expenses	1,708,673	1,421,713	83%
Capital outlay	1,278,245	970,343	76%
Total	<u>\$ 2,988,811</u>	<u>\$ 2,393,101</u>	80%

Based upon our procedures, the following questioned expenditures were noted:

- 1) The District utilized Bond Funds to pay for expenses associated with the training of District employees to use a facilities system (Fusion) that is associated with State Funded and Bond projects. The total amount charged to the Bond Fund for this was \$700. This appears to be an ongoing expense that should be paid for with unrestricted general funds.
- 2) The District utilized bond funds to pay for supplies and materials such as printer ink and paper. The total amount charged to the Bond Fund for this was \$1,045. This appears to be an ongoing expense that should be paid for with unrestricted general funds.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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- 3) All construction related expenditures are initially charged to the Bond Fund. Expenditures were later reallocated to State funded projects. We noted \$94,828 of expenses in which we were unable to determine the allocation methodology. It is recommended that the District allocate these expenses to the Bond Fund and the other funds of the District based on the number of hours worked.

The total amount of questioned expenditures as a result of our audit procedures is \$96,573.

Based on our review of the procedures followed for the expenditure of Bond Funds, we noted the following areas for improvement:

- 1) We noted adjustments to reduce the sales and use tax expense on the GL were recorded as abatements of expense in the unrestricted general fund that should have been recorded as abatements in the Bond Fund. There were two instances noted for a total of \$97.93.
- 2) We noted multiple instances in which the contract with the vendor was not signed until after work was performed. This was the case for 7 of the 36 transactions reviewed.
- 3) A signed contract was not available for the three transactions tested under that contract. The District had a copy of the contract, but it was not signed by either District officials or the contractor. The total amount of the contract was \$200,000.
- 4) 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 21 of the 36 transactions reviewed.
- 5) We noted that the procedures for processing expenditures within the Bond Fund were not consistent. A "Payment Processing" form which details the account code to be charged and documents the approval by various members of management was used on some of the expenditures, but not all of them. This was the case for 11 of the 36 transactions reviewed.
- 6) We were not provided evidence that some of the Purchase Orders reviewed were approved by the Board of Trustees. This was the case for 5 of the 36 transactions reviewed.
- 7) It was noted that the District is paying the Construction Management Firm approximately \$20,000 per month to employ a Senior Project Manager who works in the District's Facilities Department full time. It is recommended that the position be filled with a District employee as this will be a better utilization of Bond Funds.

**Agreed-Upon Procedure (B)**

Procedure

REVIEW OF PRIOR YEAR'S COMMENTS RELATED TO THE GENERAL OBLIGATION BOND FUND COMPLIANCE AND PROCEDURES.

We will prepare a schedule of all comments provided to the District as a result of compliance audits conducted for the year ended June 30, 2009.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**AGREED-UPON PROCEDURES REPORT  
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We will provide a current status of each comment indicating whether the recommendation was fully implemented, has been partially implemented, or remains an exception as of June 30, 2010.

Results

**2009.MA.01.a**

**Condition**

The prior year auditors identified \$21,690 of the 2008-2009 fiscal year expenditures that were District General Fund expenses and should not have been reimbursed by the Bond funds. Items reimbursed included repair in the welding building, repair parts for the irrigation system, and sand, topsoil and plants for the football field. The District should transfer the questioned costs to the appropriate fund. Additionally, the District should implement procedures that would prevent the reimbursement of ordinary repair and maintenance expenses from the Bond Fund.

**Current Status**

Not implemented. We were not provided evidence that the costs were transferred to the appropriate fund.

**2009.MA.01.b**

**Condition**

Duplicate accruals were recorded in one journal entry which resulted in an overstatement of fiscal year 2009 expenditures in the amount of \$91,294. The District should reverse the duplicate accruals and implement controls to ensure that duplicate accruals do not occur.

**Current Status**

Not implemented. We were not provided evidence that the duplicate accruals were reversed.

**2009.MA.01.c**

**Condition**

The prior year auditors identified \$20,631 of the 2008-2009 fiscal year expenditures that represented hours invoiced at a rate that was higher than that noted in the contract. The District should recover amounts paid in excess of contractual obligations and implement billing controls to verify rates to the contract to prevent the issues that resulted in the identified questioned Bond Fund expenditures.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**Current Status**

No exceptions were noted in the current year.

**2009.MA.01.d**

**Condition**

The prior year auditors questioned \$20,234 of the 2008-2009 fiscal year expenditures that were unallowable under contract terms which stated that the contractor shall assume all expenses unless stated in the supporting Exhibit for reimbursable expenses. The charges for mediation and expert services were not explicitly stated by the contract as reimbursable expenses. In addition, these charges were lacking support such as invoices from the vendor or subcontractor. The District should recover amounts paid in excess of contractual obligations and implement additional controls for invoice verification to ensure that the payment is in accordance with the contract terms and that proper support is submitted and maintained with invoices.

**Current Status**

No exceptions were noted in the current year.

**2009.MA.01.e**

**Condition**

Various invoices were identified as inaccurately paid for a total overpayment of \$2,140. The District should remove the questioned amount from the 2008-2009 fiscal year expenditures and should recover this amount from the contractor. The District should implement a process to verify the accuracy of the invoice amounts before payment.

**Current Status**

No exceptions were noted in the current year.

**2009.MA.01.f**

**Condition**

A \$75,000 increase to a contract was not supported by change orders and/or contract amendments. The original contract amount for Sandy Pringle & Associates on the Learning Resource Center Project was \$600,000, and the revised contract amount was \$937,000. Documentation only supported \$262,000 of the increase in contract which resulted in an unsupported increase of \$75,000. The District should implement additional controls to ensure that all documentation related to the Bond Program is retained.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**AGREED-UPON PROCEDURES REPORT  
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**Current Status**

No exceptions were noted in the current year.

**2009.MA.01.g**

**Condition**

An invoice that totaled \$15,000 did not include the appropriate timecard support. The District should implement additional controls to ensure that invoices have adequate support.

**Current Status**

No exceptions were noted in the current year.

**2009.MA.01.h**

**Condition**

A contract approved by the Board was funded by both the State and Bond Program for \$3,293,000 and \$438,465 respectively. The District did not record a receivable for the expected State reimbursement or properly segregate the expenditures between the State and Bond Program. The District should implement a process to ensure Bond and State funding and expenditures are not commingled and are reported separately.

**Current Status**

The District has begun the process of accounting for state funded projects in another fund. However, some of the expenditures for these projects were initially charged to the Bond Fund.

**2009.MA.01.i**

**Condition**

Unapproved payment applications totaled \$85,059. Prior to payment, the District should verify that the payment application is signed by all appropriate parties. Additionally, the District should implement procedures to retain accounting documentation related to the Bond Program.

**Current Status**

No exceptions were noted in the current year.

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**2009.MA.01.j**

**Condition**

There was no documented process to recognize and correctly record contract retention when payment applications were entered and paid during the 2008-2009 fiscal year. Retention was only appropriately accounted for at the end of the fiscal year. Accounting for retention in the correct period will aid in ensuring that retention to contractors is properly recorded. The District should implement a process for retention recognition, on a timely basis, to reflect actual expenditures for the Bond funds. This should include accrual of retention when construction payment applications are processed for payment and review of a retention accrual aging.

**Current Status**

Implemented. We observed that the District has implemented procedures to accrue contract retentions.

**2009.MA.05.a**

**Condition**

Procedures detailing proper construction program change control guidelines, classification methodologies, and appropriate application of cost codes and accounting practices, as well as change order approval, have not been approved and implemented.

**Current Status**

No exceptions were noted in the current year.

**2009.MA.06.a**

**Condition**

As a result of the review of 70 payments, there was an average of 110 days between the date of an invoice and the date the invoice was recorded, and an average of 115 days between the date of invoice and the payment date. This creates legal exposure, potential work stoppage, schedule delays and additional project costs. The District should implement additional controls to ensure timely processing of invoices and payment applications.

**Current Status**

Not implemented. We noted that multiple payments were made more than 90 days after the invoice date.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2009.MA.06.b**

**Condition**

The District should consider developing and implementing more formalized procedures to ensure labor agreement compliance.

**Current Status**

No exceptions were noted in the current year.

**2009.MA.08.a**

**Condition**

Five payment applications did not include appropriate lien releases. The District should ensure that conditional lien releases are obtained before payment to the contractors and unconditional lien releases are obtained the following month after payment is released and subcontractors have been paid. All unconditional lien releases should be received before final payment and retention are paid.

**Current Status**

No exceptions were noted in the current year.

**2008.MA.01.a**

**Condition**

The membership of the Citizen's Oversight Committee (COC) and time of service for COC members did not comply with the State of California Assembly Bill (AB) 1908. Oversight committee members were last appointed in 2005, prior to the appointment of a State Trustee at the District. The maximum allowable time of service for COC members is two consecutive terms of two years each (four years total). At the time of the audit, it did not appear that there was a full composition of seven active members. It did not appear that there was a student COC member or a member active in the support and organization of a community college.

**Current Status**

A new Citizen's Oversight Committee has been established and an Administrative Procedure detailing the composition of the Committee has been put in place. However, the members of the committee do not meet the requirements of State of California Assembly Bill (AB) 1908.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2008.MA.01.d**

**Condition**

\$29,403 of fiscal year 2008 Bond Fund expenditures was questioned, due to duplicate payments. As of February 8, 2010, the expenditures noted above are still included in Bond Fund expenditures.

**Current Status**

No documentation was provided showing that the duplicate payments were removed.

**2008.MA.01.e**

**Condition**

\$32,400 of fiscal year 2008 Bond Fund expenditures were questioned, representing hours invoiced at a rate that was not specified in a contract. As of February 8, 2010, the expenditures noted above are still included in Bond Fund expenditures.

**Current Status**

No exceptions were noted in the current year.

**2008.MA.01.f**

**Condition**

\$12,093 of costs were identified that were not included in PeopleSoft fiscal year 2008 expenditure data which appear to represent valid fiscal year 2008 Bond Fund expenditures. The total is comprised of \$6,131 for a California Ed invoice and \$5,962 for a GST Invoice. As of February 8, 2010, the expenditures noted above are still included in Bond fund expenditures.

**Current Status**

No documentation was provided showing that these expenditures were recorded in PeopleSoft.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2008.MA.01.h**

**Condition**

Specific policies and procedures were not available for projects with multiple funding sources.

**Current Status**

Implemented. We observed the policies for bond project administration and noted that the above issue was addressed.

**2008.MA.02.a**

**Condition**

A facilities bridge plan was developed, but an updated facilities master plan could not be fully developed without a recent educational master plan, institutional strategic plan, facilities needs assessment, and implementation plan.

**Current Status**

The District has adopted a facilities master plan; however, the document still lacks the implementation and integration with educational and technology planning including systematic links to the budgeting process.

**2008.MA.02.d**

**Condition**

No campus wide design and construction standards and specifications could be found.

**Current Status**

Subsequent to the close of the 2009-2010 year, the District developed and approved an administrative regulation addressing this; however, as of June 30, 2010, this was not in place.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

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**2008.MA.03.a**

**Condition**

Project and program documentation was unavailable in the District files, and required the Auditors to contact El Camino College, the former program management firm, the construction management firm, and various other third parties in order to retrieve Bond Program information.

**Current Status**

No exceptions were noted in the current year.

**2008.MA.03.d**

**Condition**

The District does not have a formalized communication plan for reporting to the on- and off-campus communities regarding construction.

**Current Status**

We were not provided a formalized communication plan for either external or internal communication.

**2008.MA.03.e**

**Condition**

When high turnover occurs, loss of institutional memory is a risk. A significant number of people involved with the Bond Program during the 2007-2008 fiscal year and prior years were no longer associated with the Bond program at the time of the audit. Program files were incomplete, and a documented history of the Bond Program was unavailable.

**Current Status**

No exceptions were noted in the current year.

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**2008.MA.04.a**

**Condition**

A copy of accounting procedures was requested during the audit, but not received.

**Current Status**

Partially implemented. The District has approved various policies and procedures relating to accounting for bond fund activity; however, this still appears to be a work in progress.

**2008.MA.04.b**

**Condition**

There was no recent record of reconciliation between the District's accounting system and the former Program Management firm's expenditure cost tracking. The last reconciliation was conducted in 2006.

**Current Status**

Our audit covered information recorded in the PeopleSoft system; therefore, we did not review the program management firm's cost tracking.

**2008.MA.04.e**

**Condition**

A copy of program management procedures for the Bond Program was requested during the audit, and a draft was received.

**Current Status**

We observed that the District has developed and approved program management procedures.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2008.MA.04.f**

**Condition**

Program management costs amounted to 10.28 percent of the total Bond program expenditures. These costs are excessive when compared to the fee percentage expended on comparable programs. The average fee for comparable programs is 3.8 percent.

**Current Status**

We noted that program management costs for the current year amounted to approximately six percent of the total expenditures for the fund. It appears as though the cause for a higher percentage is the fact that the District has experienced turnover in key management which resulted in increased reliance on the Construction Management Firm.

**2008.MA.04.h**

**Condition**

The program management firm tracked expenditures using an excel spreadsheet. Construction program management software was not implemented.

**Current Status**

The District attempted to implement construction program management software during the 2009-2010 year, but has not been successful in the implementation.

**2008.MA.04.i**

**Condition**

The construction schedule for the Bond program did not appear to have been updated to reflect current status, and did not have an appropriate baseline against which progress could be measured. Several versions of the schedule, developed by several third party firms, were found during the audit, none of which were current.

**Current Status**

We observed that project status reports are prepared by the Facilities Department.

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**AGREED-UPON PROCEDURES REPORT  
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**2008.MA.06.d**

**Condition**

Projects that were not completed on time and remained in construction or on hold for an extended period of time continued to require accountability by architects and engineers for the constructability of their designs. Holding retention may not be enough to motivate these consultants to be responsive and reduce the likelihood of errors and omissions. The District has experienced this challenge on current projects.

**Current Status**

The District is still involved in litigation relating to these projects.

**2008.MA.06.e**

**Condition**

The District does not have a certified list of signatures for those authorized to sign orders for payment and contracts.

**Current Status**

We observed that the District has approved policies regarding contracts which detail who the authorized signors are.

**2008.MA.08.a**

**Condition**

Closeout documentation was not available for recently constructed and occupied buildings. Development of closeout policies and procedures, with a checklist, would facilitate user acceptance and final closeout of projects.

**Current Status**

The District appears to be in the process of developing close-out policies and procedures; however, we did not receive a copy of these procedures.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**AGREED-UPON PROCEDURES REPORT  
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**2008.MA.08.b**

**Condition**

Construction projects remained open even though The District assumed occupancy in 2001 and 2006. Those projects are the Child Development Center (CDC), Math/Science Building, and Vocational Technology Building.

**Current Status**

The District appears to be in the process of developing close-out policies and procedures; however, we did not receive a copy of these procedures.

**2008.MA.08.d**

**Condition**

Maintenance and operations training for building systems (HVAC, electrical controls, and specialty equipment) was conducted but not videotaped. When facilities experiences turnover of staff, the District will be at risk of lost maintenance knowledge, and new staff might not know how to operate new systems.

**Current Status**

The District appears to be in the process of developing close-out policies and procedures which will address training issues; however, we did not receive a copy of these procedures.

**2008.MA.08.e**

**Condition**

Contractor, subcontractor, and consultant evaluations were not performed at contract or project closeout. The District is currently pursuing legal action on several construction projects.

**Current Status**

The District appears to be in the process of developing procedures for the evaluation of contractors; however, we did not receive a copy of these procedures.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2007.VTD.1**

**Condition**

\$7,500 was charged to "Major League Baseball" in 2006-2007 for inspections. This project is not part of the voter approved construction projects to be funded through the General Obligation Bonds.

**Current Status**

We were not provided evidence that these expenses were transferred to the appropriate fund in the current year.

**2007.VTD.2**

**Condition**

District approved procedures for the expenditures of Bond Funds require the review and approval of the third-party construction management firm for all expenditures from Proposition 39 General Obligation Bond Funds. It was noted that 35 payroll related expenditures totaling \$15,124 were paid by the District without receiving proper review and authorization from the third-party firm employed to manage the day-to-day operations of all Bond activities and verify the appropriateness of the expenditures.

**Current Status**

No exceptions were noted in the current year.

**2007.VTD.3**

**Condition**

It was noted that 35 payroll related expenditures totaling \$15,124 were paid by the District without receiving proper review and authorization from the third-party firm employed to manage the day- to-day operations of all Bond activities and verify the appropriateness of the expenditures. It could not be determined whether nature of the payroll related expenditures could be matched against an existing ongoing specific budgeted Bond Fund project.

**Current Status**

We were not provided evidence showing that the questioned expenditures were transferred to the appropriate fund.

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**2007.VTD.4**

**Condition**

The Bond Initiative document does not allow for expenditures for ongoing maintenance projects and services. Expenditures totaling \$133,931.14 were charged to the Bond Fund which appeared to be related to ongoing maintenance and services and should have been charged against other District funds.

**Current Status**

We were not provided evidence showing that the questioned expenditures were transferred to the appropriate fund.

**2007.VTD.5**

**Condition**

On June 28, 2007, \$96,692 of capital expenditures was transferred to the Bond Fund from other District funds. Electronic files and hard copy backup documentation was not provided to ensure that these expenditures were for approved construction projects.

**Current Status**

We were not provided evidence that the questioned expenditures were appropriate or were transferred to another fund.

**2006.VTD.3**

**Condition**

It was noted that six general fund expenditures were charged to the Measure CC Bond Funds totaling \$35,858. It was communicated from District management that they intended to reimburse the Bond Fund. The use of Bond Funds to pay for expenditures that are the responsibility of the District is strictly prohibited within the language of Proposition 39.

**Current Status**

We were not provided evidence that the questioned expenditures were transferred to the appropriate fund.

**COMPTON COMMUNITY COLLEGE DISTRICT  
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**2006.VTD.4**

**Condition**

It was noted that four invoices totaling \$35,281 were charged against Measure CC Bond Funds in which no supporting documentation could be located by the District. Supporting documentation for these expenditures was also unavailable by the District's project managers. Without documentation to support the expenditures, it was not possible for the auditor to determine if the expenditures had been properly approved.

**Current Status**

We were not provided supporting documentation for these expenditures.

**2006.VTD.5**

**Condition**

Expenditures for General Obligation Bond projects were not consistently provided to the construction manager for approval prior to the expenditure of Bond funds. As a result, project budgets were not followed.

**Current Status**

No exceptions were noted in the current year.

**2004.VTD.1**

**Condition**

Proper internal controls and District procedures require all documentation related to the expenditure of Bond funds to be maintained in an orderly manner. During the course of fieldwork, backup documentation that would have supported expenditures for both COP series A & C were not available at the District. Support for expenditures was subsequently obtained through inquiry with the third party administrator. The District Business Office should maintain all supporting documentation for expenditures of Measure CC Bond funds. Supporting documentation includes the approved budget, requisitions, purchase orders, invoices, receiving documentation and any other documentation supporting the expenditure. A budget for all projects should be in place before expenditures are incurred.

**Current Status**

No exceptions were noted in the current year.

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**2004.VTD.2**

**Condition**

Proper internal controls require that all expenditures be evidenced by proper authorization by the Board of Trustees, the Construction Manager and the Chief Business Officer prior to payment. Payments were made from the Measure CC Bond funds without the documented approval of one or more of the above authorizing agents for the Bond funds. All approvals for expenditure of Measure CC Bond funds should be documented prior to a request for payment being processed.

**Current Status**

As noted under the results for Agreed-Upon Procedure A, we were not provided with evidence that some purchase orders were approved by the Board of Trustees.

**2004.VTD.3**

**Condition**

Proper internal controls over the expenditures require pre-approved detail budgets for the various projects prior to expenditures being incurred. Clearly defined and approved budgets for the various construction projects could not be located for review. We noted broad budgets providing for the overall parameters of the projects were provided, however we were unable to determine whether specific expenses fell within the budget guidelines. Project expenses have not been matched to the overall budget that would serve as a control for cost overruns and changes in the scope of projects. Supplies and maintenance costs have been charged to project budgets that were not clearly part of the original scope of the project, or part of the overall scope of the Bond projects provided to the voters of the community for approval. A detail budget for all remaining projects to be funded through the Measure CC General Obligation Bond should be developed. Actual costs should be matched against the budget prior to payment. Any cost overruns or changes in the scope of the project should be reflected in a Board approved budget amendment.

**Current Status**

We observed the budgets for the various projects as a part of Agreed-Upon Procedure C.

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Agreed-Upon Procedure (C)

Procedure

REVIEW OF PROJECT BUDGETS AND COMPLIANCE WITH BOARD APPROVALS FOR PROJECTS THROUGH THE BOND FUNDS.

We will obtain the approved budgets for each project in place during the 2009-2010 fiscal year and assess the District's compliance with budget monitoring and communication to the Board when project costs have exceeded approved budgets. We will prepare a schedule of projects, the approved budget, and costs incurred through June 30, 2010, with an analysis of funds overspent or available for future expenditure.

Results

We obtained and reviewed the original approved budget for the bond fund and noted that it was not input into the District's general ledger system until late August 2009. This means that the District operated without a budget for the first part of the 2009-2010 fiscal year. Additionally, we traced this approved budget into the general ledger system and noted that the District did not properly record the budget in the general ledger system. It was noted that the budgeted expenditures as recorded in the general ledger system were greater than that approved by the Board of Trustees. We also selected a sample of budget modifications performed by the District between July 1, 2009 and June 30, 2010, and requested supporting documentation showing that they were approved by the appropriate levels of management. Supporting documentation for three of these budget modifications was not provided.

The following table compares the actual expenditures for the Bond Fund to the final amended budget.

Measure CC Bond Fund Fund 45	Final Budgeted Amount	Actual Expense	Variances - Positive (Negative)
Learning Resource Center	\$ 1,552,785	\$ 45,696	\$ 1,507,089
Master Planning	282,000	83,253	198,747
Utilities Master Plan	5,358,628	978,406	4,380,222
Allied Health Building	1,095	1,153	(58)
Little Theater Reconstruction	102,750	44,207	58,543
Space Inventory	100,000	-	100,000
MIS Building Renovation	165,995	56,148	109,847
Program Support	1,323,800	951,110	372,690
Server Room	168,839	-	168,839
Vocational/Technology Building	800,000	465,490	334,510
Infrastructure	2,525	2,195	330
Library	360,000	360,000	-
Music Building Renovation	1,095	1,153	(58)
Information Technology	2,500,000	-	2,500,000
<b>Total</b>	<b>\$ 12,719,512</b>	<b>\$ 2,988,811</b>	<b>\$ 9,730,701</b>

**COMPTON COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUND**

**AGREED-UPON PROCEDURES REPORT  
JUNE 30, 2010**

As noted above, the budget was exceeded for the Allied Health Building project and the Music Building Renovation project.

**District Response to Agreed-Upon Procedures**

The District is in agreement with the observations and will take appropriate action to respond to them.