

2009

PALO VERDE COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditors' report issued on the financial statements is unqualified.
2. Internal control over financial reporting identified two control deficiencies.
3. There were no significant deficiencies that are considered to be a material weakness.
4. There are no instances of noncompliance material to the financial statements.

Federal Awards

1. The auditors' report issued on compliance for the major programs is unqualified.
2. Internal control over the major programs identified no significant deficiencies.
3. There are no significant deficiencies that are considered to be a material weakness.
4. There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

CFDA No. 84.063  
Pell Grant Program

CFDA No. 84.116Z  
Improvement of Postsecondary Education

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.
2. Palo Verde Community College District qualified as a low-risk auditee.

2009

**PALO VERDE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**FEDERAL COMPLIANCE**

There were no findings relating to Federal compliance for the year ended June 30, 2009.

**STATE COMPLIANCE**

Finding #09-1

Section 68050 of the Education Code requires that a student classified as a nonresident shall be required to pay, in addition to other institution required fees, nonresident tuition. During our testing of State Compliance Requirements as it applies to Residency Determination for Credit Courses, we noted that two out of sixteen students tested were charged California residency fees of \$20 while it was determined that they were Arizona residents and should have been charged Arizona residency fees of \$42.

Recommendation

We recommend that the District review student residency more carefully when charging tuition rates to ensure that the proper tuition rate is being applied to each student.

Response

Management agrees with this finding and has implemented the necessary procedures to prevent inaccurate charging of tuition and meet the requirements of the State.

**INTERNAL CONTROL**

Finding #09-2

Statement of Auditing Standards (SAS) #112 states that the auditor cannot be a component of the District's internal control system and that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with generally accepted accounting principles. The District's personnel were not capable of preparing, reviewing and approving full disclosure financial statements, in conformity with GASB #35 allowing for the remote likelihood that a misstatement of their financial statements that is more than inconsequential will not be prevented or detected. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

Recommendation

We recommend that the District establish a policy of their evaluation of the benefits of preparing, reviewing and approving its own full disclosure financial statements in conformity with GASB #35 at yearend against the cost of doing so, internally or through an independent CPA.

Response

Management agrees with this finding and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

2009

**INTERNAL CONTROL** – (continued)

**Finding #09-3**

During our audit, we made two adjustments to the CCFS-311 report for a combined net increase of approximately \$61,000 on the Statement of Revenues, Expenses and Changes in Net Assets. One adjustment was made to reduce accounts payable for an amount that was posted twice of approximately \$61,000. A second adjustment was made to financial aid to reduce duplicate Cal Grant income and corresponding expenses that had already been recorded in the General Fund.

**Recommendation**

We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

**Response**

Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies. The District submitted a corrected CCFS-311 report in December 2009.

2009

**PALO VERDE COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**FEDERAL COMPLIANCE**

There were no findings relating to Federal compliance for the year ended June 30, 2008.

**STATE COMPLIANCE**

**Finding #08-1**

During our testing of State Compliance Requirements as it relates to the Extended Opportunity Programs and Services (EOPS) we noted that the program recorded an unallowable expense relating to the following grant year. The program helps underprivileged students achieve a higher education by providing services and other aid such as the purchase of books for the semester the student is enrolled in the program. It was noted that a \$45,821 invoice was recorded at June 30, 2008 for the purchase of books in the Fall of 2008. Section 88242 of the Education Code requires that the EOPS grant expenditures be recorded in the period for which it has been granted.

Management has implemented the necessary procedures to prevent budget confusions and meet the requirements of the State. Management was also informed that the \$45,821 was simply reclassified into the 2008/2009 fiscal year budget and no funds were lost as a result of this finding.

**INTERNAL CONTROL**

**Finding #08-2**

A new auditing standard was issued in the year, Statement of Auditing Standards (SAS) #112, which states that the auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with generally accepted accounting principles. The District's personnel were not capable of preparing, reviewing and approving full disclosure financial statements, in conformity with GASB #35 allowing for the remote likelihood that a misstatement of their financial statements that is more than inconsequential will not be prevented or detected. Under the new standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

This compliance finding was not corrected in the current year. (See Finding #09-2)

**Finding #08-3**

While testing certain State Compliance requirements relating to employee personnel files, it was noted that certain required federal forms were either missing or completed incorrectly. The particular form is the I-9 in which newly hired employees present proof that they are lawfully able to work in the United States of America and the employer verifies this by observing pieces of identification. With recent developments in the area of immigration, the burden is being placed on the employer to verify that the employee is lawfully able to work in this country. There are fines for incomplete files or missing information ranging from \$100 to \$10,000 per violation.

This compliance finding was corrected in the current year.

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2009

FOR THE YEAR ENDED JUNE 30, 2009

Finding #08-4

During our audit, we made several adjustments to the CCFS-311 report for a combined net decrease of approximately \$525,000 on the Statement of Revenues, Expenses and Changes in Net Assets. The primary adjustments were to record annual interest payments on the Certificates of Participation (Note 7) (\$794,000), to record interest earned on the Certificates of Participation (Fund 41) (\$230,000) and to reverse the accrual of Finding #08-1 \$46,000. The District's records were correct as all the payments and interest income were recorded internally; however they were not transferred correctly into the CCFS-311 report.

Management has implemented procedures to review all data provided to ensure that the correct Certificate of Participation amounts are include in the CCFS-311 report before submission to the corresponding agencies. The District submitted a corrected CCFS-311 report in December 2008.

2010

PALO VERDE COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditors' report issued on the financial statements is unqualified.
2. Internal control over financial reporting identified two deficiencies.
3. There were no significant deficiencies that are considered to be a material weakness.
4. There are no instances of noncompliance material to the financial statements.

Federal Awards

1. The auditors' report issued on compliance for the major programs is unqualified.
2. Internal control over the major programs identified no significant deficiencies.
3. There are no significant deficiencies that are considered to be a material weakness.
4. There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

CFDA No. 84.063  
Pell Grant Program

CFDA No. 84.031A  
Developing a Virtual Campus through Assisted Distance Education Programs and Services

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.
2. Palo Verde Community College District qualified as a low-risk auditee.

PALO VERDE COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2010.

STATE COMPLIANCE

Finding #10-1

The California Education Code Section 14020 states that a student must demonstrate that they have a verified disability and can benefit from general education classes, activities, and services offered through the Community College system in order to qualify for services provided under the Disabled Student Programs and Services (DSPS). It furthermore states that classes are to be provided only when they facilitate the student's measurable progress towards their educational goals. During our audit of DSPS students, it was noted that four out of ten students tested did not have either a verified disability report on file or the application for the program was incomplete. One student had a DSPS coordinator observable disability report on file, however the code is specific in which the disability has to be verified by an independent professional or in conjunction with other State Agencies.

Recommendation

We recommend that the District implement written procedures to ensure that all DSPS students have an independent professional verifiable disability on file and that their application is complete as required by the California Education Code.

Response

Management agrees with this finding and is implementing procedures necessary to meet the requirements of the State.

Finding #10-2

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

Recommendation

We recommend that the District review all K-12 special student applications for concurrent enrollment and ensure that the necessary information is completed before approving the student's application and giving them access to register for classes.

2010

**PALO VERDE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**STATE COMPLIANCE – (continued)**

**Response**

Management agrees with this finding and as of the date of this report has requested a complete application from the student whose application was missing the parent's signature. Additionally, the District has implemented procedures to ensure that all K-12 applications are reviewed and completed before approval.

**INTERNAL CONTROL**

**Finding #10-3**

Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

**Recommendation**

We recommend that the District evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at yearend against the cost of doing so, internally or through an independent CPA

**Response**

Management agrees with this finding and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

**Finding #10-4**

During our audit, we made various adjustments to the CCFS-311 report for a combined net decrease of approximately \$588,000 on the Statement of Revenues, Expenses and Changes in Net Assets. Three adjustments were made to record additional state capital reimbursements and other receivables at June 30, 2010 for a combined increase of \$1,213,326. Two adjustments were made to record fair market losses for the year (\$74,765) and to record a LAIF drawdown that was recorded as revenue (\$1,500,000), for a combined decrease of (\$1,574,765). Two additional adjustments were made to record additional capital outlay expenditures for a decrease of (\$94,830). Finally, one adjustment was made to adjust bookstore inventory for a decrease of (\$131,517).

**Recommendation**

We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

**Response**

Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies.



PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2009.

STATE COMPLIANCE

Finding #09-1

Section 68050 of the Education Code requires that a student classified as a nonresident shall be required to pay, in addition to other institution required fees, nonresident tuition. During our testing of State Compliance Requirements as it applies to Residency Determination for Credit Courses, we noted that two out of sixteen students tested were charged California residency fees of \$20 while it was determined that they were Arizona residents and should have been charged Arizona residency fees of \$42.

Management has implemented the necessary procedures to ensure that proper tuition rates are being applied to each student.

INTERNAL CONTROL

Finding #09-2

Statement of Auditing Standards (SAS) #112 states that the auditor cannot be a component of the District's internal control system and that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with generally accepted accounting principles. The District's personnel were not capable of preparing, reviewing and approving full disclosure financial statements, in conformity with GASB #35 allowing for the remote likelihood that a misstatement of their financial statements that is more than inconsequential will not be prevented or detected. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

This internal control finding was not corrected in the current year. (See Finding #10-3)

Finding #09-3

During our audit, we made two adjustments to the CCFS-311 report for a combined net increase of approximately \$61,000 on the Statement of Revenues, Expenses and Changes in Net Assets. One adjustment was made to reduce accounts payable for an amount that was posted twice of approximately \$61,000. A second adjustment was made to financial aid to reduce duplicate Cal Grant income and corresponding expenses that had already been recorded in the General Fund.

This internal control finding on CCFS-311 adjustments was not corrected in the current year. (See Finding #10-4)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

SUMMARY OF AUDIT RESULTS

Financial Statements

The auditors' report issued on the financial statements is unqualified.

Internal control over financial reporting identified two deficiencies.

There were no significant deficiencies that are considered to be a material weakness.

There are no instances of noncompliance material to the financial statements.

Federal Awards

The auditors' report issued on compliance for the major programs is unqualified.

Internal control over the major programs identified no significant deficiencies.

There are no significant deficiencies that are considered to be a material weakness.

There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

FDA No. 84.063

Cell Grant Program

FDA No. 84.042A

RIO - Disabled Student Support Services

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.

2. Palo Verde Community College District qualified as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2011.

STATE COMPLIANCE

There were six findings relating to State compliance for the year ended June 30, 2011.

Finding #11-1

The California Education Code Section 84362, commonly known as the 50 percent law, requires that a minimum of 50 percent of the District's Current Expenses of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors". During the course of the audit, it was noted that the District's salaries of classroom instructors was only 43.28% of the District's current expense of education.

Recommendation:

We recommend that the District develop a plan of action to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50 percent of the District's current education expense.

Response:

Management agrees with this finding and is implementing the procedures necessary to meet the requirements of the State. The District has also requested an exemption from Section 84362 of the Education Code. All requirements of the Education Code for filing an application for exemption have been met and the financial impact of this finding to the District is unknown at this time. This is the first year the District has filed for an exemption from the 50 percent law.

Finding #11-2

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit (GANN). Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. CCR Section 58303 indicates that the District's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. It was noted during our audit that management's calculation of the appropriation limit did not agree with the amounts reported to the Chancellor's office. The amount reported to the Chancellor's office was correct however. Furthermore it was noted that management was not consistent in the way the State Subventions and Local Property Tax appropriations subject to limit were calculated.

Recommendation

We recommend that the District review the GANN limit worksheet before and after entering on the CCFS-311 report to ensure all data is accurate and consistent with District calculations before submitting to the Chancellor's office.

Response

Management agrees with this finding and as of the date of this report has implemented the procedures necessary to meet the Sate requirements as they apply to the GANN Limit Worksheet. A corrected CCFS - 311 report has also been submitted to correct these differences as of the date of this report.

PALO VERDE COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

STATE COMPLIANCE – (continued)

Finding #11-3

Per Finding #11-1 Section 84362 of the Education Code requires that the District's salaries of classroom instructors is equal to or exceed 50 percent of the District's current expense of education. One requirement of this Code is that all instructors whose salaries are included in salaries of classroom instructors met certain minimum qualifications in their area of expertise at the time they were hired. During our audit it was noted that one out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications, however it was not clear if those qualifications were necessary for their area of expertise.

Recommendation:

We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise.

Response:

Management agrees with this finding and as of the date of this report has documented that the instructor tested, has the minimum qualification requirements included in their personnel file. Management has also implemented procedures to ensure that all instructors whose salaries are included in salaries of classroom instructors have met certain minimum qualifications and documented accordingly in their personnel files.

Finding #11-4

Section 84752 of the Education Code requires that the District's arrangements, commonly referred to as "instructional service agreements" (ISA), with public and private entities also meet the 50 percent law in as it relates to instructors. The law requires instructors under ISA to also meet certain minimum qualifications in their area of expertise, they must report to the Dean of Instruction and their class curriculum must meet the District approved education program. During our audit it was noted that two out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications, however it was not clear if those qualifications were necessary for their area of expertise. Also, three instructors out of the ten tested did not have any documentation on file demonstrating that their curriculum met District approved education programs and it was not clear if these instructors were required to report directly to the Dean of Instruction.

Recommendation:

We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise and that they are required to report directly to the Dean of Instruction. We also recommend that the Instructors curriculum be matched against District approved education programs.

PALO VERDE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

STATE COMPLIANCE – (continued)

Finding #11-4

Response:

Management agrees with this finding and as of the date of this report has documented that the instructors tested, have the minimum qualification requirements included in their personnel file. Management has also implemented procedures to ensure that all instructors whose salaries are included in salaries of classroom instructors have met certain minimum qualifications and report directly to the Dean of Instruction and documented accordingly in their personnel files.

Finding #11-5

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the District pursuant to Sections 48800 and 76001 in the District's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

Recommendation

We recommend that the District review all K-12 special student applications for concurrent enrollment and ensure that the necessary information is completed before approving the student's application and giving them access to register for classes.

Response

Management agrees with this finding and as of the date of this report has requested a complete application from the student whose application was missing the parent's signature. Additionally, the District has implemented procedures to ensure that all K-12 applications are reviewed and completed before approval.

Finding #11-6

Assembly Bill number AB 540 of Section 68130.5 of the California Education Code requires that a person, other than a nonimmigrant alien as defined, who has attended high school in California for 3 or more years, who has graduated from a California high school or attained the equivalent thereof, who has registered at or attends an accredited institution of higher education in California, and who, if he or she is an alien without lawful immigration status, has filed an affidavit as specified, be exempted from paying nonresident tuition at the California Community Colleges and the California State University. It was noted during our audit that although the District collects a "California Nonresident Tuition Exemption" form from students requesting exemption from nonresident tuition under AB 540, the District does not verify the information provided by the student. Furthermore out of the ten students tested under AB 540 one application for exemption could not be located by District personnel.

Recommendation

We recommend that the District implement a system to validate all information provided in the California Nonresident Tuition Exemption form in accordance with AB 540 State Law.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

STATE COMPLIANCE -- (continued)

Finding #11-6

Response

Management agrees with this finding and is in the process of implementing procedures to ensure all data provided in the California Nonresident Tuition Exemption form is verified and supported when the student registers at the District.

INTERNAL CONTROL

There were two findings relating to internal control for the year ended June 30, 2011.

Finding #11-7

Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards, specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the standards, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

Recommendation

We recommend that the District continue to evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at yearend against the cost of doing so, internally or through an independent CPA

Response

Management agrees with this finding and has evaluated the cost benefits of preparing, reviewing and approving their own full disclosure financial statements and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

Finding #11-8

During our audit, we made a few adjustments to the CCFS-311 report for a combined net increase of approximately \$223,000 on the Statement of Revenues, Expenses and Changes in Net Assets. The adjustments consisted primarily of recording additional State capital reimbursements of \$115,088, recording additional capital outlay expense previously included in prepaid expenses of \$32,100, reconciling final cash with fiscal agent activity for investment activity of \$14,772, reducing accounts payable and utility expense for unsubstantiated amounts of \$149,368 and adjusting bookstore inventory by \$14,268 to the proper balances on hand.

Recommendation

We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

Response

Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies.

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2010.

STATE COMPLIANCE

There were two findings relating to State compliance for the year ended June 30, 2010.

Finding #10-1

The California Education Code Section 14020 states that a student must demonstrate that they have a verified disability and can benefit from general education classes, activities, and services offered through the Community College system in order to qualify for services provided under the Disabled Student Programs and Services (DSPS). It furthermore states that classes are to be provided only when they facilitate the student's measurable progress towards their educational goals. During our audit of DSPS students, it was noted that four out of ten students tested did not have either a verified disability report on file or the application for the program was incomplete. One student had a DSPS coordinator observable disability report on file, however the code is specific in which the disability has to be verified by an independent professional or in conjunction with other State Agencies.

This compliance finding was corrected in the current year.

Finding #10-2

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

This compliance finding was not corrected in the current year (See Finding #11-5)

INTERNAL CONTROL

There were two findings relating to internal control for the year ended June 30, 2010.

Finding #10-3

Auditing and accounting standards state than an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

This internal control finding was not corrected in the current year. (See Finding #11-7)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

2011

INTERNAL CONTROL – (continued)

Finding #10-4

During our audit, we made various adjustments to the CCFS-311 report for a combined net decrease of approximately \$588,000 on the Statement of Revenues, Expenses and Changes in Net Assets. Three adjustments were made to record additional state capital reimbursements and other receivables at June 30, 2010 for a combined increase of \$1,213,326. Two adjustments were made to record fair market losses for the year (\$74,765) and to record a LAIF drawdown that was recorded as revenue (\$1,500,000), for a combined decrease of (\$1,574,765). Two additional adjustments were made to record additional capital outlay expenditures for a decrease of (\$94,830). Finally, one adjustment was made to adjust bookstore inventory for a decrease of (\$131,517).

This internal control finding was not corrected in the current year. (See Finding #11-8)



**PALO VERDE COMMUNITY COLLEGE DISTRICT**

2012

Schedule of Findings and Questioned Costs  
June 30, 2012

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007.84.032.84.063</u>	<u>Student Financial Aid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

2012

Schedule of Findings and Questioned Costs  
June 30, 2012

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**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

**2012-1 PREPARATION OF FINANCIAL STATEMENTS**

**Specific Requirement** Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards, specifically GASB #35.

**Condition** The District's personnel could not prepare full disclosure financial statements. Under the standards, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

**Effect** The District can reach the point where they cannot accurately prepare, monitor, and report annual financial activity without auditor intervention.

**Cause** Reductions in funding have caused the District to lack the additional personnel in house to prepare the financial statements.

**Questioned Costs** None

**Recommendation** We recommend that the District continue to evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at year end against the cost of doing so, internally or through an independent CPA.

**District Response** Management agrees with this finding and has evaluated the cost benefits of preparing, reviewing and approving their own full disclosure financial statements and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

2012

PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
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SECTION 2 – FINANCIAL STATEMENT FINDINGS, Continued

2012-2      CCFS-311

**Specific Requirement**      The District is required to report accurate records of the results of their financial activities and their financial position for each fiscal year.

**Condition**      During our audit, we made adjustments to the CCFS-311. These adjustments were made to accurately report cash, accounts receivable, and accounts payable.

**Effect**      Amounts reflected on the CCFS-311 can be misunderstood if balances are not accurately reported.

**Cause**      We believe management did not effectively review the CCFS-311 prior to its submission.

**Questioned Costs**      None

**Recommendation**      We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at year end before submitting for the audit and to the required agencies.

**District Response**      Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies.

2012

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
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**SECTION 3 – FEDERAL AWARDS FINDINGS**

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

2012

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
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## SECTION 4 – STATE AWARDS FINDINGS

### 2012-3 50 PERCENT LAW

**Specific Requirement** California Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the District's Current Expenses of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors".

**Condition** During the course of the audit, it was noted that the District's salaries of classroom instructors was only 46.87% of the District's current expense of education.

**Effect** The inability to expend 50% of the District's Current Expenses of Education for the salaries of classroom instructors.

**Cause** A serious hardship as defined in CCR, Title 5, Section 59204 (c), in the form of unanticipated, unbudgeted and necessary expenditures.

**Questioned Costs** None

**Recommendation** We recommend that the District develop a plan of action to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50 percent of the District's current education expense.

**District Response** Management agrees with this finding and is implementing the procedures necessary to meet the requirements of the State. The District has also requested an exemption from Section 84362 of the Education Code. All requirements of the Education Code for filing an application for exemption have been met and the financial impact of this finding to the District is unknown at this time. This is the second year the District has filed for an exemption from the 50 Percent Law.

2012

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Status of Prior Year Findings and Questioned Costs  
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### FINANCIAL STATEMENT FINDINGS

#### 2011-7 PREPARATION OF FINANCIAL STATEMENTS

**Finding** Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards, specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the Standards, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

**Recommendation** We recommend that the District continue to evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at year end against the cost of doing so, internally or through an independent CPA.

**Current Status** Not Implemented. See Finding 2012-1.

#### 2011-8 CCFS-311

**Finding** During our audit, we made a few adjustments to the CCFS-311 report for a combined net increase of approximately \$223,000 on the Statement of Revenues, Expenses and Changes in Net Assets. The adjustments consisted primarily of recording additional State capital reimbursements of \$115,088, recording additional capital outlay expense previously included in prepaid expenses of \$32,100, reconciling final cash with fiscal agent activity for investment activity of \$14,772, reducing accounts payable and utility expense for unsubstantiated amounts of \$149,368 and adjusting bookstore inventory by \$14,268 to the proper balances on hand.

**Recommendation** We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

**Current Status** Not Implemented. See Finding 2012-2.

2012

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Status of Prior Year Findings and Questioned Costs  
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## FEDERAL AWARDS FINDINGS

There were no federal award findings or questioned costs in 2010-11.

## STATE AWARDS FINDINGS

### 2011-1 50 PERCENT LAW

**Finding** The California Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the District's Current Expenses of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors". During the course of the audit, it was noted that the District's salaries of classroom instructors was only 43.28% of the District's current expense of education.

**Recommendation** We recommend that the District develop a plan of action to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50 percent of the District's current education expense.

**Current Status** Not Implemented. See Finding 2012-3

### 2011-2 GANN LIMIT

**Finding** Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit (GANN). Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. CCR Section 58303 indicates that the District's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. It was noted during our audit that management's calculation of the appropriation limit did not agree with the amounts reported to the Chancellor's office. The amount reported to the Chancellor's office was correct, however. Furthermore, it was noted that management was not consistent in the way the State Subventions and Local Property Tax appropriations subject to limit were calculated.

**Recommendation** We recommend that the District review the GANN limit worksheet before and after entering on the CCFS-311 report to ensure all data is accurate and consistent with District calculations before submitting to the Chancellor's office.

**Current Status** Implemented

2012

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

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**STATE AWARDS FINDINGS**, Continued

**2011-3 50% LIMIT**

**Finding** Per Finding #11-1 Section 84362 of the Education Code requires that the District's salaries of classroom instructors is equal to or exceed 50 percent of the District's current expense of education. One requirement of this Code is that all instructors whose salaries are included in salaries of classroom instructors met certain minimum qualifications in their area of expertise at the time they were hired. During our audit it was noted that one out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications; however, it was not clear if those qualifications were necessary for their area of expertise.

**Recommendation** We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise.

**Current Status** Implemented.

**2011-4 INSTRUCTIONAL SERVICE AGREEMENTS**

**Finding** Section 84752 of the Education Code requires that the District's arrangements, commonly referred to as "instructional service agreements" (ISA), with public and private entities also meet the 50 percent law in as it relates to instructors. The law requires instructors under ISA to also meet certain minimum qualifications in their area of expertise, they must report to the Dean of Instruction and their class curriculum must meet the District approved education program. During our audit it was noted that two out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resumes, degree, and work history it was obvious they had certain qualifications; however, it was not clear if those qualifications were necessary for their area of expertise. Also, three instructors out of the ten tested did not have any documentation on file demonstrating that their curriculum met District approved education programs and it was not clear if these instructors were required to report directly to the Dean of Instruction.

**Recommendation** We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise and that they are required to report directly to the Dean of Instruction. We also recommend that the Instructors curriculum be matched against District approved education programs.

**Current Status** Implemented



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PALO VERDE COMMUNITY COLLEGE DISTRICT

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STATE AWARDS FINDINGS, Continued

2011-5 CONCURRENT ENROLLMENT

**Finding** Section 76002(a) of the Education Code specifies that for purposes of receiving State apportionments, a community college district may include high school pupils who attend a community college within the District pursuant to Sections 48800 and 76001 in the District's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

**Recommendation** We recommend that the District review all K-12 special student applications for concurrent enrollment and ensure that the necessary information is completed before approving the student's application and giving them access to register for classes.

**Current Status** Implemented.

2011-6 AB 540

**Finding** Assembly Bill number AB 540 of Section 68130.5 of the California Education Code requires that a person, other than a nonimmigrant alien as defined, who has attended high school in California for 3 or more years, who has graduated from a California high school or attained the equivalent thereof, who has registered at or attends an accredited institution of higher education in California, and who, if he or she is an alien without lawful immigration status, has filed an affidavit as specified, be exempted from paying nonresident tuition at the California Community Colleges and the California State University. It was noted during our audit that although the District collects a "California Nonresident Tuition Exemption" form from students requesting exemption from nonresident tuition under AB 540, the District does not verify the information provided by the student. Furthermore, out of the ten students tested under AB 540 one application for exemption could not be located by District personnel.

**Recommendation** We recommend that the District implement a system to validate all information provided in the California Nonresident Tuition Exemption form in accordance with AB 540 State Law.

**Current Status** Implemented.