

SECTION 3.0 - AUDITS

3.1 Introduction

This chapter outlines the responsibility of the College to conduct and comply with audits.

3.2 Federal Audits

Disbursements from Federal funding are subject to audit by both Federal agencies and the independent auditors.

3.3 State Audits

Expenditures through the State appropriation are subject to the review of auditors of the State Controller's Office, the Department of Finance, and any other appropriate State agency. All source documents will be provided for the auditor's review.

3.4 Independent Audits

The Board of Directors has a fiduciary responsibility in managing the State and non-State funds of the College. In fulfilling this responsibility, the Board authorizes the College to contract with outside independent auditors. The audit is performed annually according to AICPA's generally accepted accounting principles. The auditors provide a financial statement and management letter. The management letter reviews internal controls and recommends improvement in any area of weakness. The Chief Financial Officer is responsible for reviewing the financial statements and responding to the management letter. All agreed-to recommendations for improvement are to be implemented by the Chief Financial Officer as soon as possible.

The financial statement, management letter and responses are submitted to the Board of Directors for acceptance.

3.4.1 Auditor Selection

The College will assess every six to seven years whether the interests of the Board of Directors is best served by the ongoing retention of current audit firm. However, auditor tenure of greater than 10 years should not be considered.

3.4.1.1 Auditor Selection Process (Effective March 2003)

- A committee is formed that coordinates the selection process and evaluation of prospective firms consisting of a designee of the Chair of the board of Directors, Chief Financial Officer, General Counsel, Director of Fiscal Services and the Director of Financial Aid.
- Proposals are solicited from public accounting firms.
- Upon evaluation of written proposals by the committee, some or all of the bidding firms are invited to make a formal presentation.
- Acting upon the recommendation of the committee, the final selection of the audit firm is made by the Board of Directors.

3.5 University of California Audits

Pursuant to Assembly Bill 336, the Regents of the University of California have the responsibility of reviewing the College's audit report, management letter, and investments. The Regents are required to report their findings to the Legislature.

Annually, the Chief Financial Officer provides the required reports to the Office of the U.C. President.

3.6 Internal Audits

Internal audits covering specific areas are performed by the external auditors. Annually, the Board of Directors may select areas to be audited.

Any deficiencies identified by the auditor are brought to the attention of the Chief Financial Officer. The report from the external auditors including responses to any recommendations for improvement are presented to the Board of Directors.