

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2007

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

JUNE 30, 2007

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grossmont-Cuyamaca Community College District
Auxiliary Organization
El Cajon, California

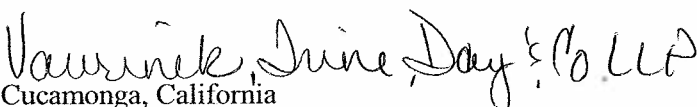
We have audited the accompanying basic financial statements of the Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) (a California nonprofit corporation) as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Organization'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. 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2007, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007, on our consideration of the Organization's internal control over financial reporting 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Grossmont-Cuyamaca Community College District Auxiliary Organization taken as a whole. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Rancho Cucamonga, California
December 17, 2007

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 135,270
Cash and cash equivalents - temporarily restricted	215,096
Accounts receivable	1,183,511
TOTAL ASSETS	<u>\$ 1,533,877</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 438,614
Accrued payroll and benefits	167,597
TOTAL LIABILITIES	<u>606,211</u>

NET ASSETS

Unrestricted	
Undesignated	135,270
Temporarily restricted	792,396
TOTAL NET ASSETS	<u>927,666</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,533,877</u>

See the accompanying notes to financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND PUBLIC SUPPORT			
Categorical allowances			
Federal	\$ 1,455,822	\$ -	\$ 1,455,822
State	3,819,205	-	3,819,205
Contributions	-	753,647	753,647
Contract education and services	-	65,055	65,055
Other local revenue	321,633	22,849	344,482
Net assets released from restrictions	684,162	(684,162)	-
TOTAL REVENUES AND SUPPORT	6,280,822	157,389	6,438,211
EXPENDITURES			
Program Services			
Grossmont-Cuyamaca Community College District	4,630,149	-	4,630,149
Supplies	232,002	-	232,002
Other payments to students	45,158	-	45,158
Donations	200	-	200
Travel, conferences, and mileage	251,231	-	251,231
Membership dues and fees	14,425	-	14,425
Equipment donated to Grossmont-Cuyamaca Community College District	539,654	-	539,654
Rents and utilities	100,894	-	100,894
Operational indirect	321,441	-	321,441
Total Program Services	6,135,154	-	6,135,154
Supporting Services			
Printing	16,348	-	16,348
Postage and freight	8,020	-	8,020
Other support expenses	57,019	-	57,019
Total Supporting Services	81,387	-	81,387
TOTAL EXPENDITURES	6,216,541	-	6,216,541
OTHER REVENUE			
Interest	1,013	-	1,013
INCREASE IN NET ASSETS	65,294	157,389	222,683
NET ASSETS, BEGINNING OF YEAR	69,976	635,007	704,983
NET ASSETS, END OF YEAR	\$ 135,270	\$ 792,396	\$ 927,666

See the accompanying notes to financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 222,683
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	2,307
Increase in accounts receivable	(424,661)
Decrease in accounts payable and accrued payroll	<u>(74,135)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(273,806)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(273,806)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>624,172</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 350,366</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Unrestricted	\$ 135,270
Temporarily restricted	<u>215,096</u>
	<u><u>\$ 350,366</u></u>

See the accompanying notes to financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Organization

The Organization, a non-profit organization, was incorporated in the State of California on March 1, 2000. The Organization was formed for the purpose of promoting and assisting the Grossmont-Cuyamaca Community College District (the District) in accordance with the mission, policies, and priorities of the District as administered by the District Chancellor. The Organization is authorized to operate as an auxiliary organization of the District under the provisions of Article 6 of Chapter 6 of Part 45 of the Education Code and, although a separate Board of Directors presides over the Organization, the District's Board of Trustees approves the operations. As such, the Organization is considered a component unit of the District under provisions of Governmental Accounting Standards Board (GASB) Statement No. 39. The financial statements of the Organization are presented discretely from the District.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when earned, and expenses are recognized when incurred.

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. Accordingly, actual results could differ from those estimates.

Cash Equivalents for Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of six months to be cash equivalents.

Donated Services and Materials

The Organization records the value of donated services or materials when there is an objective basis available to measure their value. No amounts have been reflected in these financial statements, as no objective basis was available to measure their value as required by Statement of Financial Accounting Standard (SFAS) No. 117. Nevertheless, a substantial number of volunteers have donated their time and services to the Organization.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Equipment

Property and equipment purchased by the Organization for use in daily operations is stated at cost. The Organization's policy is to capitalize all additions greater than \$500, if purchased with non-contract funds. Depreciation is provided over the estimated useful lives of assets, which range from five to ten years of using the straight-line method. Equipment purchased for use with Federal or State categorical funds are passed through to the Grossmont-Cuyamaca Community College District and are restricted as to use within the specific programs.

Income Taxes

The Organization is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Organization annually files information returns (Forms 990, 199, and RRF-1) with the appropriate agencies.

Contributions

The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donation to a specific time, event, or other criteria. When a donor restriction expires, the time ends, or the purpose is accomplished, temporarily restricted assets are reclassified as unrestricted assets and reported in the statement of activities as 'net assets released from restrictions'. During the year ended June 30, 2007, donations in the amount of \$753,647 with donor restrictions were received.

Contributions received without explicit donor restrictions are reported within the unrestricted net assets.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2007, the reported amount of the Organization's deposits was \$350,366 and the bank balance was \$565,248. Of the bank balance, \$568,248 was covered by Federal depository insurance or by collateral held by the Organization's agent in the Organization's name.

Cash in bank - checking	\$ 339,985
Cash in bank - money market	10,381
Total	<u>\$ 350,366</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due to the Organization as of June 30, 2007, on current grant contracts. All balances as of June 30, 2007, are due within one year. The current accounts receivable balance as of June 30, 2007, is \$1,183,511 and consist of:

Passed Through Grossmont Cuyamaca Community College District		
Federal		\$ 330,064
State		853,447
Total		<u>\$ 1,183,511</u>

NOTE 4 – EQUIPMENT

Equipment at June 30, 2007, consists of:

Equipment		\$ 12,822
Less accumulated depreciation		(12,822)
Net Equipment		<u>\$ -</u>

Depreciation expense was \$2,307.

NOTE 5 – RESTRICTIONS ON NET ASSETS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

California Dental Association	\$ 35,869
CalPASS	378,178
California Wellness Foundation	63,391
Welcome Back	224,442
Contract Education	26,494
Nurse Education, Practice, and Retention	27,635
Other	36,387
Total	<u>\$ 792,396</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 AUXILIARY ORGANIZATION
 (A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable for the Organization consisted of the following:

Federal		\$ 148,314
State		290,300
	Total	\$ 438,614

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization receives financial support for various programs through categorical allowances from Grossmont-Cuyamaca Community College District. During the year ended June 30, 2007, these allowances totaled \$5,275,027.

The Organization awards and provides support for various programs of Grossmont-Cuyamaca Community College District. During the year ended June 30, 2007, the Organization transmitted payments along with purchased assets to the Grossmont-Cuyamaca Community College District as follows:

Contracted Services - Grossmont-Cuyamaca Community College District		
Salaries and benefits		\$ 3,131,396
Other contracted services		1,498,753
		\$ 4,630,149
Equipment Purchased for Programs		
Equipment		\$ 537,486
	Total	\$ 537,486

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SUPPLEMENTARY INFORMATION

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Passed through Grossmont-Cuyamaca Community College District:		
Title III - Strengthening Institutions	84.031A	\$ 84,492
Gaining Early Awareness and Readiness For Undergraduate Programs Gear Up	84.334	676,358
Vocational Programs: Voc and Appl Tech Secondary II C, Sec 131 (VTEA)	84.048	67,111
Workforce Investment Act (WIA)	17.258	231,618
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Nurse Education, Practice, and Retention: Career Ladder	93.359	396,243
Total		<u>\$ 1,455,822</u>

See the accompanying note to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

INDEPENDENT AUDITORS' REPORTS

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

To the Board of Directors
Grossmont-Cuyamaca Community College District
Auxiliary Organization
El Cajon, California

We have audited the financial statements of Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 17, 2007. 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 Grossmont-Cuyamaca Community College District Auxiliary Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, Management, and the Organization's Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
December 17, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Grossmont-Cuyamaca Community College District
Auxiliary Organization
El Cajon, California

Compliance

We have audited the compliance of Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The Organization's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Organization's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the Organization's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, Management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannine, Irine, Day & Co. LLP

Rancho Cucamonga, California
December 17, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

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>None reported</u>
Noncompliance 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>Yes</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)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.334	Gaining Early Awareness and Readiness For Undergraduate Programs
93.359	Nurse Education, Practice, and Retention: Career Ladder

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

The following findings represent significant deficiencies including questioned costs that are required to be reported by OMB Circular A-133.

2007-1 Federal Expenditures (Salaries)

Federal Programs Affected - Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA Number 84.334) and Nurse Education, Practice, and Retention: Career Ladder (CFDA Number 93.359)

Criteria

Office of Management and Budget Circular Number A-87, Attachment B Section 11(h), which requires that salaries charged to Federal programs be certified as to the allocation percentage between programs. Additionally, employees charged 100 percent to one program must be certified semi annually. The Circular also requires documentation of the allocation.

Condition

Significant Deficiency on Internal Controls. Internal controls are not in place to ensure that employees are updating their certification of time working on Federal programs. The Organization is having employees certify their time at the beginning of their employment. Documentation is not being updated as required by the Office of Management and Budget Circular Number A-87.

Effect

Required support for wages charged to Federal programs is a significant component of the charges to this grant. Without adequate support, the Organization is at risk for costs to the program being disallowed.

Questioned Costs

None noted.

Recommendation

Establish written policies that support the Organization's interpretations of the applicable requirements and clarify how the procedures support the reasonableness of the charges. Employees being charged to the grant need to certify that their time is being charged to the appropriate grant as required by Federal guidelines; semi-annually for individuals that 100 percent of their time is being charged to one specific program, and monthly for those individuals who are multi-funded or working less than 100 percent of their time on one specific grant.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Organization Response

The Organization employees' hire letters identify the grant(s) funding the employee's position. In addition, current practice is if an employee works on more than one grant during a month, the percent of time worked on each grant is written on the monthly timesheet that the employee signs. The Organization has established an additional process to specifically certify the actual time being charged to the appropriate grant.

2007-2 Sub-Recipient Monitoring

Federal Programs Affected - Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA Number 84.334) and Nurse Education, Practice, and Retention: Career Ladder (CFDA Number 93.359)

Criteria

OMB Circular A-133, Audits of State and Local Governments and Not-for-Profit Organizations, Section 400 (d) Pass-through entity responsibilities. The Organization must be responsible for accurately communicating requirements, monitoring compliance, insuring proper reporting, and follow-up on any corrective actions that result from audits that the sub-recipient must have annually.

Condition

Significant Deficiency on Internal Controls. The Organization has not maintained internal controls necessary to ensure proper revenue recognition and reporting requirements of sub-recipients.

Effect

Non-compliance with Federal requirements by sub-recipients can place the Organization at risk of future sanctions and loss of funding.

Questioned Costs

None noted.

Recommendation

Effective documentation should be maintained that includes agreements with the name of the award, awarding agency, and Catalog of Federal Domestic Assistance numbers. Clear identification of applicable Federal compliance requirements, oversight, and follow-up requirements should be integrated into agreements.

Organization Response

Sub-recipients' contracts are monitored and procedures are in place to ensure compliance with Federal regulations. The Organization will document this oversight.

