

GVCC DRAFT MGMT COMM LTR FOR 6-30-15 DATED 10-14-15

GAILS EOP4

October 7, 2015

Board of Directors
Goleta Valley Community Center

In planning and performing our audit of the financial statements of Goleta Valley Community Center (GVCC) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered GVCC's internal control over financial reporting (internal control) 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 GVCC's internal control. Accordingly we do not express an opinion on the effectiveness of GVCC's internal control as a whole.

As a result of our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The two page memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 7, 2015 on the financial statements of GVCC.

We will review the status of the current year comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience.

This letter is solely for the internal use of the Board of Directors and Management of GVCC and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

MacFARLANE, FALETTI & CO., LLP

Gail H. Anikouchine

Enclosure

GVCC DRAFT MGMT COMM LTR FOR 6-30-15 DATED 10-14-15
Goleta Valley Community Center

CURRENT YEAR COMMENTS

Current Year Comments:

Segregation of Duties

GVCC has a limited number of accounting staff; consequently, GVCC has a challenge in applying the concept of appropriate segregation of duties. A goal in segregating duties is to separate the people who have access to assets from those who record activity. Lacking appropriate segregation of duties poses a risk of not meeting internal control objectives to minimize the possibility of fraud or errors occurring. We noted that GVCC's accounting staff, consisting of a General Manager and two staff accountants, has implemented certain procedures relating to cash receipts and cash disbursements to mitigate these risks. Due to the size of GVCC and the cost benefit of having two individuals perform these duties, obtaining complete segregation of duties is impractical. Consequently, the Board of Directors is involved in the internal control process by having accounting staff oversight responsibilities, and monthly, financial reports are reviewed.

We did note a couple areas where GVCC could enhance its policies and procedures regarding segregation of duties:

Check Signers

GVCC's policy requires each check to be signed by two people. To apply this policy, GVCC has authorized a large number of individuals to be check signers. We noted that one of the accounting staff who also records check disbursement activity in the general ledger is a check signer. This check signer has complete access to both the asset of cash and the recording of the activity of the same into the general ledger.

We recommend GVCC remove the accounting staff member as an authorized check signer, which will reduce the number of check signers without impeding the ability to obtain two signatures on each check disbursement.

Bank Reconciliations

We noted the person who can sign checks and input the cash activity into the general ledger also performs the bank reconciliations. While the General Manager reviews the bank statements and reconciliations to mitigate the risk of misappropriation of assets, we believe the risk can be further mitigated by removing this person as a check signer.

Accounts Receivable

GVCC uses a software program called EventPro to input revenue generated by user fees and rentals activity. Generally, tenants pay in advance for the use of space for the upcoming month, or, for special events, clients pay in accordance with contracts set up for the event. Upon receipt of payments, the staff accountant overseeing receipts from rentals and events provides the other staff member for input in the general ledger, to be recorded as income. However, we noted neither staff accountant is tasked with reviewing the tenants or clients for any arrearages.

GVCC DRAFT MGMT COMM LTR FOR 6-30-15 DATED 10-14-15
Goleta Valley Community Center

CURRENT YEAR COMMENTS

Current Year Comments:

Accounts Receivable (Continued)

We observed two month-to-month tenants with current activity input in EventPro who have outstanding balances of approximately \$4,500 due to GVCC for use of the facility. This information was not conveyed to the staff member responsible for collecting rent to attempt to collect old balances due. As a part of the audit, we proposed adjustments to record these account receivables at full value, and, per review, Management established an allowance for doubtful accounts for these receivables.

We recommend GVCC develop procedures to record and adjust accounts receivables in the general ledger based on EventPro month end totals and to review outstanding amounts due at month end to facilitate collections. At year end, we recommend management review all outstanding accounts receivable and adjust the allowance for doubtful accounts accordingly.

Functional Allocation of Expenses

The Statement of Functional Expense is required for GVCC's Form 990 return of organization exempt from income tax, and the expense allocation gives the reader a clear view of how the funds of GVCC are spent among program, management, and fundraising.

Having a consistent process in place to track and estimate expenses by functional category during the year will ensure easier and more consistent reporting. In addition, as programs or staffing change significantly, an Organization should consider reviewing its methodology to determine if the allocations continue to present a reasonable estimate of the expenditure of funds among the categories.

We recommend Management review supporting functional expense allocation worksheets based on prior time studies, proportion of budgeted department expenses to total expenses, and square footage for the upcoming year end June 30, 2016.

Documentation of Board Meeting Minutes and Voting and Non-Voting Attendees

Board minutes document the actions of the organization. In the State of California, all Board Members vote; in addition, the State indicates the organization needs to document who votes nay and who abstains. We noted the minutes of GVCC's board meetings for July and August 2015 list certain attendees under the caption 'Board Members', whose board member terms expired July 1, 2015. In addition, we noted a few motions not passed unanimously with no indication who did not vote yes.

We recommend the Board review minutes of its meetings and make adjustments to the documentation as needed to distinguish the advisory or consulting attendees separately from the Active Board members in the minutes and to list those who vote nay, who abstain, and who recuse themselves.

GVCC AJES FOR 6-30-15 DATED 10-14-15

10/14/2015
11:24 AM

Client: 37860 - Goleta Valley Community Center
 Engagement: Audit 6-15 - Goleta Valley Community Center
 Trial Balance: TB
 Workpaper: 3400.10 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		3800.20		
Adjust/accrete payroll expense and liabilities at beginning and end of year.				
2205	Accrued payroll liabilities		2,225.00	
2220	FICA		170.00	
3900	Net Assets		2,395.00	
6010	Salary & Wages		3,874.00	
6030	Employer FICA		296.00	
2205	Accrued payroll liabilities			2,225.00
2205	Accrued payroll liabilities			3,874.00
2220	FICA			170.00
2220	FICA			296.00
6010	Salary & Wages			2,225.00
6030	Employer FICA			170.00
Total			<u><u>8,960.00</u></u>	<u><u>8,960.00</u></u>
Adjusting Journal Entries JE # 2		3800.20		
Reclassify payroll costs from employee group benefits to salaries and wages.				
6010	Salary & Wages		7,628.00	
6060	Employee Group Benefits			7,628.00
Total			<u><u>7,628.00</u></u>	<u><u>7,628.00</u></u>
Adjusting Journal Entries JE # 3		7200.20		
To clear out payroll liabilities from prior year with no historical support and adjust current year other payroll deductions.				
2210	Federal Income Tax		12.00	
2220	FICA		12.00	
2230	CA Income Tax		15.00	
2240	State Disability Insurance		2.00	
2252	Aflac Premiums		111.00	
2260	Other Payroll Deductions		800.00	
2260	Other Payroll Deductions		2,012.00	
2270	Garnishments		413.00	
3900	Net Assets			2,577.00
6010	Salary & Wages			800.00
Total			<u><u>3,377.00</u></u>	<u><u>3,377.00</u></u>
Adjusting Journal Entries JE # 4		4200.20		
Record prior year accounts receivable and allowance for doubtful accounts, and adjust for current year end.				
1500	Accounts receivable		1,949.00	
1500	Accounts receivable		2,602.00	
3900	Net Assets		1,462.00	
7800	Change in allowance		937.00	
1599	Allowance for doubtful accounts			937.00
1599	Allowance for doubtful accounts			1,462.00
3900	Net Assets			1,949.00
4120	Non-Profit User Fees			2,602.00
Total			<u><u>6,950.00</u></u>	<u><u>6,950.00</u></u>
Adjusting Journal Entries JE # 6				
Record accounts payable at 6-30-15.				
7935	Senior Aqua Aerobics		1,155.00	
2000	Accounts payable			1,155.00
Total			<u><u>1,155.00</u></u>	<u><u>1,155.00</u></u>

GVCC AJES FOR 6-30-15 DATED 10-14-15

10/14/2015

11:24 AM

Client: **37860 - Goleta Valley Community Center**
 Engagement: **Audit 6-15 - Goleta Valley Community Center**
 Trial Balance: **TB**
 Workpaper: **3400.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 7		5200.10		
Remove old refundable deposits liabilities not cleared when historical refunds were paid.				
2110	Long Term Deposits		11,270.00	
2120	Short Term Deps thru 6/30/06		3,815.00	
2150	Short Term Deposits thru 6/30/09		50.00	
2160	Short Term Deps thru 6/30/2010		5,290.00	
2170	ALL DEPOSITS		6,000.00	
2110	Long Term Deposits			6,000.00
3900	Net Assets			20,425.00
Total			26,425.00	26,425.00
Adjusting Journal Entries JE # 8		4600.20		
Capitalize assets exceeding threshold in prior years and adjust beginning of year net assets. Record depreciation expense for current year.				
1720	Equipment		1,957.00	
1760	Site Improvements		7,250.00	
1770	Building Improvements		20,673.00	
3900	Net Assets		1,332.00	
8000	Depreciation expense		1,525.00	
8100	Furniture, Equipment & Software		150.00	
1710	Furniture			150.00
1740	Accumulated Depr'n - F&E/Softw			1,525.00
1780	Accumulated Amortization			1,332.00
3900	Net Assets			7,250.00
3900	Net Assets			20,673.00
8100	Furniture, Equipment & Software			1,957.00
Total			32,887.00	32,887.00
Adjusting Journal Entries JE # 9		7100.10		
Record in kind income and expense for Marborg trash and recycle services.				
9000	In kind utility services expense		4,083.00	
4700	In kind utility services income			4,083.00
Total			4,083.00	4,083.00

GVCC AJES FOR 6-30-15 DATED 10-14-15

10/14/2015
11:26 AM

Client: **37860 - Goleta Valley Community Center**
 Engagement: **Audit 6-15 - Goleta Valley Community Center**
 Trial Balance: **TB**
 Workpaper: **3400.30 - Waived Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Waived Journal Entries JE # 105		3800.20		
Record accounts payable at beginning and end of year.				
3900	Net Assets		872.00	
2000	Accounts payable			872.00
Total			872.00	872.00