

To the Board of Directors and the
Gavilan College Educational Foundation
Gilroy, California

In planning and performing our audit of the financial statements of Gavilan College Educational Foundation (the Foundation), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of our audit, we are providing the following update to observations from prior audits:

CASH RECEIPTS CODING

We noted during our cash receipts testing that a cash receipt selection was coded to an event that did not occur in the current fiscal year. This revenue received needed to be reclassified to the correct event during our audit and for report purposes. We recommend the Foundation review cash receipts transactions for proper account coding when it is received.

2018 update – recommendation appears to have been implemented.

CASH RECONCILIATION

We noted that the Foundation's cash reconciliation did not reconcile back to the general ledger. During our testing we discovered that adjustments were made after the cash reconciliation was prepared causing it to not agree with the final general ledger. We recommend the Foundation ensure that a final review be performed over all reconciliations to ensure they are updated and agree with the final general ledger.

2018 update – recommendation appears to have been implemented.

INVESTMENT VALUATION

We noted during our testing over investments, the Foundation had properly revalued the investment account for the current year activity, however, this revaluation was not reflected in the financial statements. We recommend a review process be implemented to ensure that investments are properly stated in the general ledger.

2018 update – Additional journal entry was required to be posted for current year activity. Therefore, recommendation does not appear to have been implemented.

IN-KIND SERVICES

We noted through audit observation and inquiry with staff there was a new position within the District that was hired to support the Foundation in the current year. This support is referred to as in-kind services from the District. According to Generally Accepted Accounting Principles, in-kind services should be recorded in the Foundations financial statements as Donations from the District. As a result, an audit adjustment was posted to properly reflect this activity. We recommend the Foundation work with the District to ensure that all in-kind services are properly reflected in the Foundation financial statements.

2018 update – Additional journal entry was required to be posted for current year activity. Therefore, recommendation does not appear to have been implemented.

This communication is intended solely for the information and use of management, Foundation, and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 4, 2019