



Communication of Internal Control Matters

The Board of Directors
San Mateo County Community Colleges Foundation

In planning and performing our audit of the financial statements of San Mateo County Community Colleges Foundation (the Foundation) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 entity'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.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Foundation's internal control to be significant deficiencies:

Investment Activity

Observation: We noted that investment activity had not been recorded or reconciled to investment account statements monthly since fiscal year 2018. Investment income or loss was not allocated to respective endowment funds on a monthly basis. While not recorded on a routine basis, the annual investment balances were audited and used as the basis for preparation of the foundation's annual audit report.

Recommendations: We recommend that the Foundation record investment activities and allocate earnings to the respective endowment funds monthly. All investment accounts should be reconciled monthly and approved by someone other than the preparer.

Net Assets Tracking

Observation: The Foundation's internal control deficiencies in accounting for investment activity (noted above) prevented the maintenance of net asset balances for endowment funds that correctly identify historical gift values and accumulated earnings available for scholarships and grants.

Recommendations: We recommend that the Foundation establish an accounting system that assigns all endowment fund activity to each individual endowment fund in real time. Financial statements should be prepared monthly that classify net assets as either donor restricted or donor unrestricted and identify what portion of restricted net assets are available for disbursements.

Cash Balances

Observation: We noted that the Foundation was carrying an excessive cash balance in its checking account, exposing foundation resources to risk above FDIC insured limits. Contributions were not transferred to investment accounts, allocated in the financial system, nor deposited into the bank in a timely manner.

Recommendations: We recommend that the Foundation establish a process for prompt deposit of contributions and implement cash management practices that ensure that cash is invested according to investment policies in a timely manner.

Administrative Fees and Endowment Payouts

Observation: We noted that the Foundation had not charged the endowment funds for administrative fees for at least two fiscal years. The Foundation also did not apply the 4.25% annual endowment fund spending rate to calculate the spendable balances (payouts) available for program grants and scholarships as stipulated in its spending policy. By not calculating administrative fees and annual endowment fund payouts in a consistent and timely manner, the Foundation misrepresented the amounts available to the general fund to support Foundation operations and amounts available to the individual funds for program grants and scholarships.

Recommendations: We recommend that the Foundation establish a process for consistent annual processing of administrative fees and fund payouts. This will provide management with a better understanding of what restricted funds will be released to support the Foundation's operations and its grant and scholarship activities.

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

CWDL, Certified Public Accountants

CWDL, CPA
San Diego, California
July 23, 2024