



ANDERSEN

Collin County Community College District

**Memorandum on
Internal Control Structure**

November 2001



ANDERSEN

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November 16, 2001

To the Board of Trustees Members:

Under auditing standards generally accepted in the United States, auditors are encouraged to report various matters concerning an internal control structure noted during an audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or the operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the general purpose financial statements of the Collin County Community College District (the "District") as of and for the year ended August 31, 2001, we considered the District's internal control structure, but only to the extent we felt necessary for the purpose of providing a basis for reliance thereon in determining the nature, timing, and extent of the audit tests applied in connection with our audit of the District's general purpose financial statements.

Our consideration of the internal control structure did not entail a detailed study and evaluation of any of its elements and was not made for the purpose of making detailed recommendations or evaluating the adequacy of the District's internal control structure to prevent or detect errors and fraud. In this regard, it should be recognized that, because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Furthermore, projection of any evaluation of the internal control structure to future periods is subject to the risk it may become inadequate because of changes in conditions or deterioration in its operating effectiveness.

While the purpose of our consideration of the internal control structure was not to provide assurances thereon, certain matters came to our attention that we want to report to you. These matters, which were considered by us during our audit and do not modify the opinion expressed in our auditors' report dated November 16, 2001, along with our recommendations, are described in the accompanying memorandum.

The accompanying memorandum on internal control structure is intended solely for the information and use of the District's Board of Trustees, District management and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. To the extent that federal and state awarding agencies and pass-through entities intend to rely upon this letter and the accompanying memorandum, such reliance should take into account the limited basis on which our recommendations were developed, as described above, and the limitations

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inherent in the internal control structure. In addition, federal and state awarding agencies and pass-through entities who intend to rely upon this letter should understand that the criteria used by us in considering the internal control structure could differ significantly from the criteria they may be using for their purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Very truly yours,

Arthur Andersen LLP

Collin County Community College District

**Memorandum on Internal Control Structure
Status of Prior Year's Recommendations
August 31, 2001**

The status of prior year's recommendation is based upon consultation with management and limited review of the implementation. For a more complete description of the observation, please refer to the prior years' Memorandum on Internal Control Structure.

<u>Recommendation</u>	<u>In-Process</u>	<u>Implemented</u>	<u>Management's Decision not to Implement</u>	<u>Not Implemented</u>
1998				
1. The District should consider preparing a multiyear financial plan that would contain various scenarios and be updated on an annual basis.	X			
2. The District should develop a formal, updated comprehensive disaster recovery plan that addresses all actions necessary to recover all significant business functions in the event a disaster occurs.	X			
2000				
3. The District should continue evaluating the effort required and begin developing a strategy to fully implement the new financial reporting model. This should include considering increasing the capitalization threshold for fixed assets, potentially to \$5,000, as well as evaluating the need for a fixed asset system capable of calculating depreciation.	X			
4. The District is required by law to be fully collateralized at all times, and should ensure they are collateralized at all times throughout the year.		X		
5. The District, along with the other entities for which Collin County is currently assessing and collecting property taxes, should evaluate requiring an internal control review to be performed by an external party relating to verifying that adequate controls are in place to ensure that all taxpayers are properly assessed and collections are properly remitted to the District in a timely manner.			X	
6. The District should require all members of management and Board of Trustees to sign formal conflict-of-interest statements on an annual basis as a means of reaffirming their compliance with the District's conflict-of-interest policy.				X