



717 North Harwood Street
Suite 3100
Dallas, TX 75201-6585

November 14, 2003

The Board of Trustees
Collin County Community College District

Ladies and Gentlemen:

We have audited the basic financial statements of the Collin County Community College District (the District), for the year ended August 31, 2003, and have issued our report thereon dated November 14, 2003. In planning and performing our audit of the basic financial statements of the District, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

Reportable conditions are matters coming to our attention that, in judgment, relate to significant deficiencies in the design or operation of internal control that 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. Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions. During the course of our audit, there were no matters that, in our judgment, met the definition of a reportable condition.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. The comment and recommendation, which has been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies and is summarized as follows:

SAS 70 Review

Observation

Collin County collects property taxes for the Collin County Community College District. KPMG notes that Collin County does not have a review performed for internal controls in accordance with Statement on Auditing Standards No. 70 *Service Organizations* (SAS 70) over the cash collection process performed by the County.





The Board of Trustees
Collin County Community College
November 14, 2003
Page 2

As property tax collection is performed by Collin County, the District would not be familiar with the design or operating effectiveness of internal controls over the tax collection process. The internal controls could be nonexistent, improperly designed or operating ineffectively thus causing a problem for the District in collecting one of its major sources of revenue.

Recommendation

We recommend the District request that Collin County have a SAS 70 review performed to ensure that internal controls are properly designed and operating effectively and provide a copy to the Collin County Community College District.

Management's Response

At the end of the Fiscal Year 2002 audit, the need for a SAS 70 review was discussed with the Collin County Tax Assessor Collector. He had concerns regarding the cost and stated that he wanted to get all entities using Collin County to provide tax collection services to share in the cost of their having a SAS 70 review done. Nothing further happened after this discussion. The District will discuss the need for a SAS 70 review with Collin County again.

KPMG LLP

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT

Status of Prior Years' Recommendations

August 31, 2003

The status of prior years' recommendations is based upon consultation with management and limited review of the implementation. Such recommendations were reported to the College's Audit Advisory Committee and are more fully described in prior years' Memorandum on Internal Control.

<u>Year Recommended</u>	<u>Recommendations</u>	<u>Implemented</u>	<u>In Process</u>	<u>Not Implemented</u>	<u>Management Decision Made Not to Implement</u>	<u>Anticipated Completion Date</u>
	<u>SCT Fixed Asset System</u>					
2002	1. We recommend that the District review its system access to the SCT Fixed Asset System and properly restrict the access of personnel who do not have a functional requirement for it. We also recommend that programmers be restricted to the SCT Fixed Asset test environment only.	X				
	<u>BuySpeed System</u>					
2002	2. We recommend that the District review its system access to the BuySpeed purchasing application and properly restrict the access of personnel who do not have a functional requirement for it. We recommend "AS" level access be limited to the purchasing super user(s) or purchasing lead(s).				X	
2002	3. We recommend the District document procedures for user setup and maintenance on BuySpeed. We also recommend procedures should include a process for Human Resources to notify BuySpeed administrators when users are terminated or transferred to a position where their access is no longer required.				X	
	<u>Discovery Grant</u>					
	4. We recommend the District establish procedures to ensure that a copy of the Quality Assurance survey for the Discovery Grant program submitted with the signature of all required officials be maintained on file to document the review and approval.		X			

