

Coconino County Community College District

CONCLUSION: Coconino County Community College District is responsible for preparing its annual financial report and a federal expenditure schedule, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the District's financial statements, schedule, and major federal programs annually. A summary of the financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the District's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the District's fiscal year 2017 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and an internal control weakness over a major federal program. The most significant findings are summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The increase or decrease in net position indicates whether financial health has improved or deteriorated because of current-year activities. Net position increased by approximately \$3.8 million, or 14.3 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the District expended approximately \$6.7 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$1.3 million, or 16 percent, compared to fiscal year 2016.

Statement of net position As of June 30, 2017 (In thousands)

Assets and deferred outflows	
Current assets	\$26,714
Capital assets, net of depreciation	22,195
Deferred outflows of resources	2,168
Total assets and deferred outflows	51,077
Liabilities and deferred inflows	
Current liabilities	3,760
Noncurrent liabilities:	
Net pension liability	11,714
Other	3,016
Deferred inflows of resources	2,029
Total liabilities and deferred inflows	20,519
Net position	
Net investment in capital assets	18,041
Unrestricted	12,517
Total net position	\$30,558

Statement of revenues, expenses, and changes in net position Year ended June 30, 2017 (In thousands)

Revenues	
Tuition and fees, net of scholarship allowances	\$ 6,500
Property taxes	9,872
State appropriations	2,174
Government grants and contracts	4,334
Other revenues	1,465
Total revenues	24,345
Expenses	
Instruction and academic support	8,224
Scholarships and student services	4,944
Institutional support and operation and maintenance of plant	5,896
Other expenses	1,456
Total expenses	20,520
Increase in net position	3,825
Net position—beginning	26,733
Net position—ending	\$30,558

Federal expenditure schedule Year ended June 30, 2017 (In thousands)

Federal grantor agency	
Department of Education	\$ 6,613
Other	78
Total federal expenditures	\$6,691

Understanding the District's financial report

Understanding how to extract information from the District's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at azauditor.gov, help users identify and understand important and useful information in the District's financial report and in our reports on internal control and compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in district financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the District has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's financial reporting related to its information technology (IT) resources. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and found that the District did not always have adequate internal controls for one of its federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the District correct the internal control weaknesses. The most significant findings and recommendations are summarized below.

District should improve internal controls over its IT resources—The District's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the District did not have adequate policies and procedures over its IT resources to effectively identify, analyze, and respond to risks and protect sensitive information; sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss; and to track, document, and test IT resource changes.

Recommendations

To help ensure the District has adequate internal controls over its IT resources to identify, analyze, and respond to risks and protect sensitive information; prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; and prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources, the District needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **Risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **User access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network access granted is needed and compatible with job responsibilities.
- **Logging and monitoring**—Key user activity should be logged and monitored, particularly for users with elevated access privileges.
- **Configuration management**—A change management process should be established for each type of change, and all changes should be appropriately documented.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented entity-wide, as appropriate.