

Gila County Provisional Community College District (Gila Community College)

CONCLUSION: Gila County Provisional Community College District is responsible for preparing its annual financial report, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the District's financial statements annually.

Based on our audits, we issued modified opinions on the District's financial statements and issued a report on internal control and on compliance over financial reporting. The information in the District's fiscal year 2014 financial statements is reliable except for certain amounts reported for the District's capital assets, program revenues, and expenses/expenditures. The financial statements of the District's foundations were not audited. Our Office identified internal control weaknesses over financial reporting that resulted in these modified opinions. These findings are summarized below.

Summary of audit findings and recommendations

The District did not have adequate internal controls over its accounting system and accounting records. The deficiencies in its accounting records were most notably for certain capital assets, program revenues, and expenses/expenditures. Our report on internal control and on compliance over financial reporting includes a schedule of findings and recommendations that contains further details to help the District correct the internal control weaknesses and instances of noncompliance identified. The most significant findings and recommendations are summarized below.

District had inadequate internal controls over its accounting system and records—The District did not maintain effective internal controls over financial reporting because it did not have an adequate accounting system and records to support all reported amounts and disclosures. Consequently, we were unable to determine whether certain depreciable capital assets, program revenues, and expenses/expenditures reported for governmental activities and the general fund were accurate and complete.

District management lacked finance and accounting expertise—The District's management lacked the finance and accounting expertise to establish effective internal control policies and procedures over financial reporting and maintain a reliable system of accounting and recordkeeping to support reported amounts and disclosures in its financial statements. These deficiencies were most notably for certain capital assets, program revenues, and expenses/expenditures. Although the District contracted with accounting professionals to prepare its financial statements, the District's management lacked the expertise to prepare and maintain adequate accounting records needed to prepare reliable financial statements and, therefore, could not effectively monitor and review the financial statements the accounting professionals prepared.

District did not meet its reporting requirements—The District did not issue its financial statements and budgeted expenditure limitation report within 9 months after fiscal year-end as required by Arizona Revised Statutes (A.R.S.) §41-1279.07(C).

Recommendations

The District should:

- Employ or contract with persons who have the necessary finance and accounting expertise to develop and implement written internal control policies and procedures for financial reporting and who will also perform the ongoing recordkeeping and maintenance of the accounting system; prepare, organize, and maintain all supporting invoices and other records; and prepare appropriate journal entries when necessary.

- Develop and implement written policies and procedures for preparing and maintaining detailed accounting records for all transactions, including those pertaining to the District recorded in the contracted educational services provider's accounting system, and ensure they are controlled, reconciled, and entered into the District's accounting system in a timely manner.
- Develop and implement written policies and procedures for preparing its closing journal entries and financial statements, ensuring that they are reviewed and approved for accuracy and completeness.
- Develop and implement written policies and procedures for controlling, safeguarding, and recording capital assets in its accounting records and financial statements.
- Issue its financial statements and budgeted expenditure limitation report within 9 months after fiscal year-end, as required by A.R.S. §41-1279.07(C), by implementing corrective action for maintaining a reliable accounting system and adequate accounting records.

District did not have effective internal controls to prevent or detect fraud—The District is at risk of exposing public monies to potential loss, theft, and misuse because it did not have adequate policies and procedures over many areas that are highly susceptible to fraud and abuse, such as bank accounts, cash receipts and disbursements, and credit cards.

Recommendation

The District should develop and implement written policies and procedures over bank accounts, cash receipts and disbursements, and credit cards that require:

- Adequately separating the responsibilities over the cash-handling, recordkeeping, and authorization functions so that no one person can process a transaction without an independent review and approval.
- Preparing adequate detailed supporting documentation for all district charges to evidence that cash disbursements and credit card purchases are valid district expenses.
- Preparing and documenting monthly bank account reconciliations for all deposit and investment accounts, ensuring that the bank reconciliations and activities, including electronic payments and transfers, are reviewed and approved by an independent person on a regular basis.

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 under reports and publications, 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. 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. This report provides information about whether the District has effective internal control procedures and whether it has complied with certain financial-related laws and regulations.