

Gila County Provisional Community College District (Gila Community College)

CONCLUSION: Based on our audits, we issued opinions on the District's financial statements and issued reports on internal control and on compliance over financial reporting. The information in the District's fiscal year 2016 and 2017 financial statements is reliable. Our Office identified internal control weaknesses over financial reporting that are summarized on the next page.

Financial information

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. The District's condensed financial statements are explained and presented below.

Statement of net position—This statement reports the District's assets, liabilities, and net position. Net position is reported in two major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, improvements, and equipment.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets.

Statement of activities—This statement reports revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes. Net position increased by \$366,793, or 5 percent, in fiscal year 2016 and by \$740,638, or 9 percent, in fiscal year 2017.

Statement of net position As of June 30, 2016 and 2017 (In thousands)

Assets	2016	2017
Current and other assets	\$ 3,910	\$ 4,507
Capital assets, net of depreciation	6,125	6,220
Total assets	10,035	10,727
Liabilities		
Current liabilities	1,780	1,741
Noncurrent liabilities	47	38
Total liabilities	1,827	1,779
Net position		
Net investment in capital assets	6,071	6,176
Unrestricted	2,137	2,772
Total net position	\$ 8,208	\$ 8,948

Statement of activities Year ended June 30, 2016 and 2017 (In thousands)

Program revenues	2016	2017
Charges for services	\$ 74	\$ 71
Operating grants and contracts	779	946
General revenues		
Property taxes	4,111	4,196
State appropriations	618	550
Other	2	40
Total revenues	5,584	5,803
Expenses		
Education and general	5,217	5,063
Total expenses	5,217	5,063
Increase in net position	367	740
Net position—beginning	7,841	8,208
Net position—ending	\$8,208	\$8,948

Summary of audit findings and recommendations

The District did not maintain an adequate accounting system and accounting records to prepare financial statements that were timely, accurate, and complete and to safeguard cash and capital assets from loss, theft, and misuse. 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 on the next page.

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 written policies and procedures in place to help ensure adequate accounting records were prepared and retained and that transactions were recorded in a timely manner and reconciled for completeness and accuracy. In addition, the District lacked written policies and procedures over its financial statement preparation, including the preparation and review of year-end adjusting journal entries, note disclosures, and supporting schedules. These internal controls are necessary to help the District prevent and detect the potential loss, theft, or misuse of public monies and prepare timely and reliable financial information for its stakeholders.

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 noted primarily 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) Consequently, the 2016 report was approximately a year and 7 months late and the 2017 report was 7 months late.

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.
- 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 in place for many areas that are highly susceptible to fraud and abuse, such as bank accounts, cash receipts and disbursements, and credit cards.

Recommendations

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.