

Maricopa County Community College District

CONCLUSION: Maricopa 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 District's 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 internal control weaknesses and instances of noncompliance over major federal programs. 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 nearly \$70.8 million, or 24 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the District expended approximately \$224.5 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$37 million, or 14 percent, compared to fiscal year 2016.

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

Assets and deferred outflows	
Current and other assets	\$ 780,609
Capital assets, net of depreciation	819,861
Deferred outflows of resources	126,587
Total assets and deferred outflows	1,727,057
Liabilities and deferred inflows	
Current liabilities	171,893
Noncurrent liabilities:	
Net pension liability	591,100
Other	513,074
Deferred inflows of resources	89,274
Total liabilities and deferred inflows	1,365,341
Net position	
Net investment in capital assets	313,961
Restricted	115,642
Unrestricted (deficit)	(67,887)
Total net position	\$ 361,716

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

Revenues	
Tuition and fees, net of scholarship allowances	\$154,548
Property taxes	536,564
Government grants and contracts	156,249
Other revenues	41,683
Total revenues	889,044
Expenses	
Instruction and academic support	345,368
Scholarships and student services	157,470
Institutional support and operation and maintenance of plant	172,641
Other expenses	142,777
Total expenses	818,256
Increase in net position	70,788
Net position—beginning	290,928
Net position—ending	\$361,716

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

Federal grantor agency	
Department of Education	\$216,140
Department of Labor	2,097
Other	6,271
Total federal expenditures	\$224,508

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 payroll expenses and 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 and did not always comply with federal program requirements for these federal programs. Our separately issued report on internal control and compliance and our single audit report include further details to help the District correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

District should improve access and security controls over its IT resources—IT access and security controls are vital to help prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to the District's IT resources, which include its systems, network, infrastructure, and data. Although the District is in the process of correcting IT control weaknesses we noted in our prior-years' reports on internal control and compliance, it needs to continue its efforts to improve and implement policies and procedures over IT access and security controls. Also, the District is made up of a complex system of individual colleges and skill centers, and while the District has centralized many aspects of access and security controls, it had not clearly designated oversight and monitoring responsibilities for controlling access and security of its IT resources district-wide.

Recommendations

To help protect the District's IT resources from unauthorized or inappropriate access or use, manipulation, damage, or loss, it should continue improving and implementing its policies and procedures over access and security controls. Also, the District should develop stronger oversight and monitoring procedures of its implementation of IT controls. Our report on internal control and compliance provides guidance and best practices to help the District achieve these objectives.

District did not comply with all Higher Education—Institutional Aid program requirements—The District charged the federal program over \$1.4 million for employees' salaries and wages. However, the District did not prepare, review and approve, and retain adequate accounting records to support employees' actual work performed or time and effort spent on program activities. As a result, we were unable to verify that amounts the District charged to the program were allowable.

Recommendations

The District should follow its existing policies and procedures for preparing, reviewing and approving, and retaining accounting records to accurately reflect employees' actual work performed and time and effort spent on federal program activities.