



REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

Pinal County Community College District is responsible for preparing financial statements, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the District has met its responsibilities.

Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. However, the auditors identified two internal control weaknesses over financial reporting. In addition, the County maintained adequate internal controls over, and complied with, federal program requirements, with four exceptions.



2009

Year Ended June 30, 2009

Financial Statement Audit Summary

Auditors identified two significant deficiencies in internal controls that impacted the District's financial statements. A summary of these deficiencies follows.

Lack of Effective Computer System Access Controls

The District did not follow its policies and procedures to ensure that system users were granted access rights to only those functions necessary to perform their job responsibilities and did not have policies and procedures to monitor the activities of users with heightened privileges. This resulted in users having greater access rights than necessary for its general ledger and subsystems. Also, terminated and transferred employees' access rights to the computer systems were not always removed in a timely manner. Further, the

database administrator (DBA) was granted full access to the general ledger system without proper monitoring. This finding is similar to a prior-year finding.

Lack of Monitoring Over Employee Health Plan Service Provider

The District did not adequately monitor a consulting firm who administered certain aspects of the District's employee health plan. Specifically, the District did not review bank reconciliations performed by the consulting firm or review the premium and fee expenses that were charged by the third-party administrators. For fiscal year 2009, the District had been charged over \$1 million in premium and fee expenses. This finding is similar to a prior-year finding.

Auditor recommendations to improve internal controls—

For computer access:

- Perform a comprehensive review of all existing system users' access and revoke inappropriate access immediately. This review should be done periodically.
- Develop a procedure to provide timely access removals for terminated or transferred employees.
- Develop policies and procedures to require the DBA's activities to be independently tracked and reviewed for propriety.

For the employee health plan:

- Monitor financial activity performed on the District's behalf by its outside consultant by reviewing the monthly bank reconciliations.
- Investigate unusual withdrawals or other transactions posted to the account.
- Review support for the premium and fee expenses to ensure that they are proper.

Condensed Financial Information

Statement of Net Assets—The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health. The table to the right presents a condensed Statement of Net Assets as of June 30, 2009.

Statement of Revenues, Expenses and Changes in Net Assets—This statement reports all revenues, expenses and other changes in net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current-year operations. The District's net assets increased by \$10.6 million during the fiscal year. A condensed Statement of Revenues, Expenses, and Changes in Net Assets is presented to the right.

Condensed Statement of Net Assets June 30, 2009 (In Thousands)	
Assets:	
Current	\$51,620
Noncurrent, other than capital	1,802
Capital	41,916
Total assets	<u>95,338</u>
Liabilities:	
Current	6,989
Noncurrent	21,287
Total liabilities	<u>28,276</u>
Net Assets:	
Invested in capital assets, net of related debt	19,715
Restricted	1,596
Unrestricted	45,751
Total net assets	<u>\$67,062</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2009 (In Thousands)	
Operating revenues:	
Tuition and fees	\$ 5,923
Other	751
Total operating revenues	<u>6,674</u>
Operating expenses:	
Educational and general	44,030
Auxiliary enterprises	842
Depreciation	3,454
Total operating expenses	<u>48,326</u>
Operating loss	<u>(41,652)</u>
Nonoperating revenues and expenses:	
Property taxes	35,382
State appropriations	5,401
Grants and contracts	10,367
Other	1,960
Interest expense	(895)
Total nonoperating revenues	<u>52,215</u>
Increase in net assets	<u>10,563</u>
Net assets—July 1, 2008	56,499
Net assets—June 30, 2009	<u>\$67,062</u>

Federal Compliance Audit Summary

Auditors tested four federal programs under the guidelines established by the Single Audit Act including the Community Based Job Training Grants (CBJT) program, the Student Financial Assistance (SFA) Cluster, the Higher Education—Institutional Aid (Higher Ed) program, and the State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act program. Auditors identified four deficiencies in internal control over compliance and noncompliance with federal program requirements. A summary of the deficiencies is noted below.

Cash Management—The District receives most of its federal funding on a reimbursement basis, which means that the District must pay eligible program costs before requesting reimbursement from the federal government. Auditors determined that prior to April 2009, one employee was responsible for compiling, approving, and submitting the required requests without supervisory review for the CBJT, SFA, and Higher Ed programs.

Subrecipient Monitoring—The District did not ensure that it received and reviewed the single audit report and any related findings for its one subrecipient of the Higher Ed program.

Procurement and Suspension and Debarment—Prior to April 2009, the District had not established adequate policies and procedures to verify that vendors providing goods and services paid with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts for its Higher Ed program.

Activities Allowed or Unallowed and Eligibility—The District did not follow its policies and procedures to ensure that system users were granted access rights to only those functions necessary to perform their job responsibilities. Specifically, auditors noted 20 employees had inappropriate access to the student financial aid module, and changes made to data on the student financial aid module were not reviewed.

Auditor recommendations to improve internal controls over compliance with federal program requirements—

For cash management:

- Continue to assign a second employee to review reimbursement requests for accuracy before they are submitted to the grantor agencies.

For subrecipient monitoring:

- Establish and implement policies and procedures to ensure that subrecipients that expended at least \$500,000 in federal awards have a single audit within 9 months of their fiscal year-end.
- Issue management decisions within 6 months after receipt of subrecipient single audit reports and ensure subrecipients take timely and appropriate corrective action.

For procurement and suspension and debarment:

- Follow amended procurement policies and procedures to verify that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities.

For activities allowed or unallowed and eligibility:

- Perform a comprehensive review of all existing student financial aid module users' access and revoke inappropriate access immediately. This review should be done periodically.

The District Experienced an Increase in Federal Award Expenditures

Overall, district expenditures of federal award monies increased by \$5.6 million, or 64 percent, from the \$8.7 million expended during fiscal year 2008. The increase is attributed to the District's receiving an increase in federal award monies in fiscal year 2009 from the U.S. Department of

Education programs. Specifically, the \$5.6 million increase was primarily due to \$4.2 million additional funding related to the Student Financial Assistance Cluster and \$1.2 million for the State Fiscal Stabilization Funds—Education State Grants, Recovery Act.

TO OBTAIN MORE INFORMATION

A copy of the full report is available at:

www.azauditor.gov

Contact person:
Tara Erickson
(602) 553-0333

Federal Expenditures by Awarding Agency Total \$14.3 Million Year Ended June 30, 2009 (In Thousands)

U.S. Department of Education	\$13,450
U.S. Department of Labor	602
U.S. Department of Housing and Urban Development	239
U.S. Small Business Administration	41
Total federal expenditures	\$14,332

Federal fiscal stabilization funds—According to the State of Arizona's Office of the Governor, it received Federal American Recovery and Reinvestment Act Monies totaling \$183 million for fiscal year 2009 under the State Fiscal Stabilization Fund Program. Program monies were distributed to the State's universities and community colleges to restore the shortfall in fiscal year 2009 state funding for higher education. The State allocated the Pinal County Community College District \$1.2 million of this program's monies, and the District used the monies for salaries and benefits to support those faculty members providing instruction to students.