

Cochise County Community College District

CONCLUSION: Cochise County Community College District (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 its financial reporting and major federal programs. The information in the District's fiscal year 2016 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. These 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 as a result of current-year activities. Net position increased by over \$1.6 million, or 5 percent, in fiscal year 2016.

Federal expenditure schedule—During fiscal year 2016, the District expended approximately \$9.8 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$637,000, or 6 percent, compared to fiscal year 2015.

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

| | |
|---|------------------|
| Assets and deferred outflows | |
| Current and other assets | \$ 26,821 |
| Capital assets, net of depreciation | 74,081 |
| Deferred outflows of resources | 4,864 |
| Total assets and deferred outflows | 105,766 |
| Liabilities and deferred inflows | |
| Current liabilities | 5,792 |
| Noncurrent liabilities: | |
| Net pension liability | 32,593 |
| Other | 29,394 |
| Deferred inflows of resources | 2,824 |
| Total liabilities and deferred inflows | 70,603 |
| Net position | |
| Net investment in capital assets | 44,945 |
| Restricted | 2,870 |
| Unrestricted (deficit) | (12,652) |
| Total net position | \$ 35,163 |

Statement of revenues, expenses, and changes in net position Year ended June 30, 2016 (In thousands)

| | |
|---|-----------------|
| Revenues | |
| Tuition and fees, net of scholarship allowances | \$ 5,905 |
| Property taxes | 19,878 |
| State appropriations | 10,813 |
| Government grants and contracts | 9,481 |
| Other revenues | 2,460 |
| Total revenues | 48,537 |
| Expenses | |
| Educational and general | 42,374 |
| Depreciation | 2,992 |
| Other expenses | 1,535 |
| Total expenses | 46,901 |
| Increase in net position | 1,636 |
| Net position—beginning | 33,527 |
| Net position—ending | \$35,163 |

Federal expenditure schedule Year ended June 30, 2016 (In thousands)

| | |
|-----------------------------------|-----------------|
| Federal grantor agency | |
| Department of Education | \$ 9,472 |
| Other | 362 |
| Total federal expenditures | \$ 9,834 |

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 on 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 District's financial statement audit, we found an internal control weakness over the District's financial reporting related to its security over 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 the two 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 and instances of noncompliance summarized below.

District should improve security over its IT resources—The District did not adequately monitor key user activity on its IT resources to help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to those resources.

Recommendation

To ensure that the activity of personnel with heightened access to its IT resources is properly monitored, the District should follow its established policies and procedures.

District failed to comply with student financial assistance federal program requirements—For the program, the District did not have adequate policies and procedures to report changes in its students' enrollment statuses to the National Student Loan Data System (NSLDS) in a timely manner. Students' enrollment statuses change when students withdraw, drop classes, or stop attending, and if the NSLDS does not accurately reflect students' enrollment on a timely basis, students may not be asked to repay student financial assistance grants and loans if or when required.

Recommendation

To comply with federal requirements and ensure its students are repaying student financial assistance grants and loans as required, the District should develop and implement adequate policies and procedures to ensure that it reports changes in students' enrollment statuses in a timely manner to the NSLDS.

District failed to comply with procurement requirements when selecting a vendor—For the Career and Technical Education—Basic Grants to States program, the District did not comply with its purchasing policy that requires at least three written price quotes. As a result, the District did not comply with federal requirements to ensure that procurement transactions were conducted in a manner to provide open and free competition or with requirements to perform and document some form of cost or price analysis, such as a comparison of submitted price quotations.

Recommendation

To comply with federal requirements and ensure the best value for procurements using federal monies, the District should follow its purchasing policy.