

Gila County Provisional Community College District



REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

District's financial statements were unreliable

Our Conclusion

Gila County Provisional Community College District (District) is responsible for preparing its financial statements, maintaining effective internal controls, and being accountable for its use of public monies. As the auditors, our job is to determine whether the District has met its responsibilities.

The District did not meet its responsibilities to prepare accurate, reliable, and timely financial statements and maintain effective internal controls. Therefore, our report over the District's financial statements was unfavorable. In addition, we identified and reported significant internal control weaknesses over financial reporting that the District must correct. The highlights include a summary of the most significant weaknesses.

The District must issue accurate and timely financial statements to satisfy state audit and reporting requirements and demonstrate accountability to the public and public agencies from which it receives funding. However, the District's fiscal year 2009 financial statements were unreliable and issued nearly 6 years after the 2009 fiscal year-end. We could not determine whether amounts reported in the financial statement for revenues, expenses, capital assets, and related disclosures were accurate because the District did not maintain complete and adequate accounting records. Also, the District failed to report its foundations' financial information in its financial statements as required by generally accepted accounting principles.

Summary of audit findings and recommendations

We found material internal control weaknesses over the District's recordkeeping and reporting of revenues, expenditures/expenses, capital assets, and related disclosures and over its processes for disclosing conflicts of interest, and cash collections and disbursements. Our Report on Internal Control and Compliance over financial reporting contains further details to help the District correct the deficiencies. We strongly recommend that the District implement our recommendations. The most significant weaknesses over recordkeeping and financial reporting are summarized below.

Ineffective internal controls and inadequate recordkeeping—The District had not maintained effective internal controls over financial reporting and did not have adequate and complete accounting records and systems in place to support reported amounts and disclosures. Specifically, we could not audit the amounts reported for revenues, education and general expenditures/expenses, capital assets, and related disclosures because the District did not have sufficient records.

Lack of finance and accounting expertise—The District's employees lacked the finance and accounting expertise to establish effective internal control policies and procedures and establish and maintain a sound financial reporting system to prepare accurate and timely financial statements. Although the District contracted with accounting professionals to prepare its financial statements, the District's employees lacked the expertise to prepare and maintain accurate and complete accounting records needed to prepare reliable financial statements and, therefore, could not effectively monitor and review the financial statements the accounting professionals prepared.

Financial information of foundations omitted—The District did not have complete and accurate financial statement information for its two legally separate foundations and, therefore, it excluded their financial information from its financial statements. These two foundations provided scholarships to students and conducted fund-raising efforts benefiting the District. Generally accepted accounting principles require that they be included in the District's financial statements.



2009

Year Ended June 30, 2009

Lack of oversight and monitoring of its educational and operating services provider—The District did not effectively oversee its contracted educational services provider. As a provisional district, the District is required by state law to operate under an agreement with another accredited community college district to provide educational services and programs. Accordingly, the District contracted with Eastern Arizona College (EAC) to provide educational services and programs through fiscal year 2018, and paid EAC approximately \$5.25 million for these services during fiscal year 2009. However, the District had not established policies and procedures requiring that billing invoices received from EAC were evaluated for accuracy, compliance with the contract, and proper recording within the District's accounting records.

Recommendations

The District should:

- Employ or contract with persons who have the necessary finance and accounting abilities to establish 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, organize and maintain all supporting invoices and other records, prepare appropriate journal entries, reconcile accounting records, and prepare and review the financial statements, including notes to the financial statements, required supplementary information, and all supporting schedules.
- Require a person with finance and accounting expertise to review and approve all adjusting journal entries, important supporting schedules and reconciliations, and the annual financial statements prior to submitting them for audit.
- Develop and implement written policies and procedures that will ensure capital assets are appropriately safeguarded, inventoried, and reported. The District's policies should also specify its capitalization thresholds and valuation policies.
- Obtain annual financial statements from its foundations, appropriately evaluate them and include them within the District's financial statements, and prepare an annual accounting of the benefits and economic resources that it receives from the foundations, such as the monetary or equipment donations, as well as the scholarships awarded to its students.
- Develop and implement written policies and procedures to effectively oversee the EAC contract to ensure that billing invoices received from EAC are properly evaluated for accuracy, compliance with the contract, and proper recording within the District's accounting records.