

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Maricopa County Community College District is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, 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 financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinions on the District's financial statements and on its schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2013 financial statements and schedule of federal awards is reliable. Our reports identified deficiencies the District should address to improve accountability. The most significant findings and recommendations are summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows and inflows of resources, liabilities, 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 resources available for general operations.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of the current-year activities. During fiscal year 2013, net position decreased by approximately \$12.1 million, or 1.5 percent, as compared to an increase of \$48.2 million, or 5.9 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the District expended approximately \$379 million in federal awards, which consisted primarily of student financial assistance. This included \$201.5 million that was spent as educational and general operating expenses and \$177.5 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$53.8 million, or 12.4 percent, compared to fiscal year 2012.

Condensed statement of net position As of June 30, 2013 (In thousands)

Assets	
Current assets	\$ 533,567
Noncurrent assets, other than capital	369,935
Capital assets, net of depreciation	790,261
Total assets	<u>1,693,763</u>
Deferred outflows of resources	
	5,331
Liabilities	
Current liabilities	140,420
Noncurrent liabilities	763,494
Total liabilities	<u>903,914</u>
Deferred inflows of resources	
	118
Net position	
Net investment in capital assets	259,717
Restricted	106,906
Unrestricted	428,439
Total net position	<u>\$ 795,062</u>

Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2013 (In thousands)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 149,178
Other	14,515
Total operating revenues	<u>163,693</u>
Operating expenses	
Educational and general	768,151
Auxiliary enterprises	53,760
Depreciation	43,893
Other	2,380
Total operating expenses	<u>868,184</u>
Operating loss	(704,491)
Nonoperating revenues and expenses	
Property taxes	475,439
State appropriations	8,316
Government grants	208,101
Other	22,380
Nonoperating expense	<u>(22,355)</u>
Net nonoperating revenues	691,881
Capital grants and gifts	539
Decrease in net position	(12,071)
Net position—beginning, as restated	807,133
Net position—ending	<u>\$ 795,062</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In thousands)

Department of Education	\$370,370
Other	8,729
Total federal expenditures	<u>\$379,099</u>

Summary of audit findings and recommendations

For the financial statement audit, we found three internal control weaknesses. For the federal compliance audit, we tested seven federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not always have adequate internal controls for one of its programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs contain further details to help the District correct these deficiencies. The most significant findings and recommendations are summarized below.

Inadequate information system controls

The District lacked adequate internal controls over its information systems to ensure that the activity of system users with elevated or unlimited access was properly monitored. We noted that several system users had the ability to make data and system changes with no oversight. As a result, there was an increased risk of theft, manipulation, or misuse of financial, sensitive, or confidential information by these users.

Recommendation

The District should develop and implement policies and procedures to monitor the activity of system users with elevated or unlimited access. These policies and procedures should require that a knowledgeable individual who is independent of the change process reviews, for propriety, data and system changes that these users make.

Lack of consistent controls over adjunct faculty employment contracts

During fiscal year 2013, the District paid over \$53.6 million in salaries to part-time contracted instructors (adjunct faculty). However, the District had not adopted policies and procedures requiring evidence of a supervisory approval of adjunct faculty employment contracts prior to processing payroll. As a result, there was increased risk for the District to pay salaries based on invalid contracts and charging salaries to incorrect accounts.

Recommendations

The District should develop and implement policies and procedures requiring evidence of supervisory approvals of adjunct faculty contracts before processing payments on the payroll system. This will help ensure that the District pays salaries based on valid contracts and charges salaries to the correct accounts.