



# Mohave County Community College District

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Mohave 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 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 internal control weaknesses and an instance of noncompliance over one of the District's major federal programs. These findings 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, 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 increased by \$1.6 million, or 6 percent, as compared to an increase of \$4 million, or nearly 18 percent, in fiscal year 2012.

**Schedule of expenditures of federal awards**—During fiscal year 2013, the District expended \$19.2 million in federal awards, which included \$10.7 million that was spent as educational and general operating expenses and \$8.5 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$4.5 million, or nearly 19 percent, compared to fiscal year 2012.

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

<b>Assets</b>	
Current assets	\$15,064
Capital assets, net of depreciation	<u>20,490</u>
Total assets	<u>35,554</u>
<b>Liabilities</b>	
Current	1,703
Noncurrent	<u>5,417</u>
Total liabilities	<u>7,120</u>
<b>Net position</b>	
Net investment in capital assets	15,342
Restricted	417
Unrestricted	<u>12,675</u>
Total net position	<u>\$28,434</u>

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

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 4,887
Other	<u>907</u>
Total operating revenues	<u>5,794</u>
<b>Operating expenses</b>	
Educational and general	34,523
Auxiliary enterprises	422
Depreciation	<u>1,558</u>
Total expenses	<u>36,503</u>
Operating loss	(30,709)
<b>Nonoperating revenues and expenses</b>	
Property taxes	19,439
Government grants	10,772
State appropriations	1,786
Other	587
Interest expense	<u>(232)</u>
Net nonoperating revenues	<u>32,352</u>
Increase in net position	1,643
Net position—beginning	<u>26,791</u>
Net position—ending	<u>\$28,434</u>

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

Department of Education	\$19,178
Other	<u>80</u>
Total federal expenditures	<u>\$19,258</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information systems, financial statement preparation, and capital assets management. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not have adequate internal controls and did not comply with federal program requirements for one of its programs. Our Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct these deficiencies. The most significant findings and recommendations are summarized below.

### Inadequate information system access and recovery controls

The District lacked adequate internal controls over its information systems to ensure that users' access rights were appropriate for their job responsibilities and that the activity of systems users with elevated access was monitored. In addition, the District did not require users to change their passwords on a periodic basis and did not specify the length or composition of user passwords. As a result, there was an increased risk of theft, manipulation, or misuse of financial, sensitive, or confidential information by users whose access was not adequately restricted, monitored, or controlled.

#### Recommendation

To improve controls over its information systems, the District should:

- Perform a periodic, comprehensive review of all existing users to help ensure that access granted is needed and is compatible with job responsibilities.
- Document all requests and approvals of access granted.
- Monitor the activity of users with elevated access.
- Require user passwords to be changed on a periodic basis and passwords to be composed of specified lengths and characters.

### Noncompliance with federal program requirements

The District did not certify or confirm that employee compensation charged to the Higher Education—Institutional Aid federal program represented the employees' actual time and effort spent on the program. Specifically, the District used pre-established budgeted distribution percentages and did not maintain logs to track the actual time and effort spent by employees working on the program. As a result, the District could not support that the salaries and wages paid with federal monies reflected the actual time spent working on the program or that the level of effort required by its grant agreement was achieved.

#### Recommendation

To help ensure compliance with federal requirements, the District should develop procedures to certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represent employees' actual time and effort spent on federal program activities.