

**NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
(NORTHLAND PIONEER COLLEGE)
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2008**



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Governing Board
Navajo County Community College District

Members of the Board:

In planning and conducting our single audit of the Navajo County Community College District for the year ended June 30, 2008, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the District's internal control over financial reporting,
- Tested internal controls over its major Federal programs, and
- Tested compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the District's financial statements and major Federal programs.

Any audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the District's Single Audit Reporting Package for the year ended June 30, 2008. Our audit also disclosed opportunities for strengthening internal controls and instances of noncompliance with laws and regulations that did not meet that reporting criteria. Management should address these items to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, contracts, and grant agreements. Those items and our related recommendations are briefly described in the accompanying summary.

This information is intended for the Navajo County Community College District's Governing Board and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

We have already discussed these items and suggestions with District personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 24, 2008

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MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2008**

Capital Assets

During our review of the District's capital asset listing, we noted the following:

- The District did not perform a complete physical inventory of property and reconciliation to the capital assets listing within the last three years.
- The District did not prepare a stewardship listing for assets below the capitalization threshold. Additionally, the District's written procedures were not always followed when tagging asset items.
- For two of ten deletions tested, the assets were removed from the asset listing but should not have been deleted as the District still had the items in their possession.

The District should maintain complete and up-to-date capital asset records and review items purchased in order to ensure the capital asset listing is properly stated. In addition, at least every three years, a physical inventory of furniture and equipment should be taken and the capital asset listings adjusted accordingly. Also, the District should maintain a stewardship listing for items below the capitalization threshold and the District should follow its written procedures when tagging asset items to provide adequate physical control over asset items. Finally, the District should review capital asset listings to ensure the listing properly reflects the assets on hand.

Payroll

During our review of the District's payroll accounts, we noted the following:

- For five of 40 payroll selections, the employee did not sign their "Special Short-term Course Requisition for Pay" form, indicating their agreement with the salary stated.
- For three of five compensated absences reviewed, the total annual leave used per the Compensated Absences Report did not agree to the total per the sum of the annual leave slips submitted.
- The District did not use a delayed payroll system for salaried employees to ensure employees were properly paid for hours worked.

The District should require those employees performing special short-term courses to sign their requisition for pay form to indicate their agreement with the salary stated. Additionally, the District should carefully review annual leave slips to ensure all annual leave is properly accounted for in the compensated absences listing. Finally, the District should implement a delayed payroll system to ensure all employees are properly paid.

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(Concluded)**

Journal Entries

For five of ten journal entries reviewed, the journal entries were missing an approval.

Journal entries should be more carefully reviewed to ensure that the proper approval is obtained prior to input.

Receivables

The District has had a significant amount of student loans receivables outstanding for multiple years.

The District should increase collection efforts on these student accounts to reduce the amount of outstanding receivables.

Student Financial Assistance Cluster

The written agreement with a school district providing employment of students under the Federal Work Study (FWS) program did not include all required information and disclosures. Specifically, the agreement did not indicate that employment must not impair existing services contracts.

According to 34 CFR 675.20, a written agreement with any agency or organization providing employment of students under the FWS program must disclose that the employment must not: (1) impair existing services contracts; (2) displace employees; (3) fill jobs that are vacant because the employer's regular employees are on strike; or (4) involve the construction, operation, or maintenance or any part of a facility used or to be used for religious worship or sectarian instruction.