ARIZONA
AuditorGeneral
Making a Positive Difference

REPORT HIGHLIGHTS
Annual Financial and Single Audit Reports
Year Ended June 30, 2017

Pima County Community College District

CONCLUSION: Pima County Community College 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 financial reporting and major federal programs. The information in the District's fiscal year 2017 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. The most significant 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 because of current-year activities. Net position increased by $5.6 million, or 8.5 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the District expended approximately $51.3 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by $4 million, or 7.2 percent, compared to fiscal year 2016.

Statement of net position
As of June 30, 2017 (In thousands)

Assets and deferred outflows	
Current and other assets	$123,355
Capital assets, net of depreciation	100,331
Deferred outflows of resources	25,133
Total assets and deferred outflows	**248,819**
Liabilities and deferred inflows	
Current liabilities	18,953
Noncurrent liabilities:	
Net pension liability	137,501
Other	3,179
Deferred inflows of resources	17,294
Total liabilities and deferred inflows	**176,927**
Net position	
Net investment in capital assets	100,331
Restricted	11,339
Unrestricted (deficit)	(39,778)
Total net position	**$ 71,892**

Statement of revenues, expenses, and changes in net position
Year ended June 30, 2017 (In thousands)

Revenues	
Tuition and fees, net of scholarship allowances	$ 28,834
Property taxes	106,824
Government grants and contracts	43,557
Other revenues	6,065
Total revenues	**185,280**
Expenses	
Instruction and academic support	77,231
Scholarships and student services	43,596
Institutional support and operation and maintenance of plant	50,193
Other expenses	8,655
Total expenses	**179,675**
Increase in net position	5,605
Net position—beginning	66,287
Net position—ending	**$ 71,892**

Federal expenditure schedule
Year ended June 30, 2017 (In thousands)

Federal grantor agency	
Department of Education	$47,303
Department of Health and Human Services	2,996
Other	966
Total federal expenditures	**$51,265**

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, help users identify and understand important and useful information in the District's financial report and in our reports on internal control and 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 financial statement audit, we found internal control weaknesses over the District's financial reporting related to its information technology (IT) resources and purchasing transaction cycle. For the federal compliance audit, we tested three 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 two of its major 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. The most significant findings and recommendations are summarized below.

District should improve internal controls over IT resources—The District's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the District did not have adequate policies and procedures over its IT resources to effectively identify, analyze, and respond to risks; document and test changes to its IT resources; sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss; and provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

Recommendations

To help identify, analyze, and respond to risks that may impact its IT resources; document and test changes to its IT resources; prevent and detect unauthorized, inappropriate, and unintended access, use, or changes to its IT resources; and ensure district operations can continue in the event of a disaster, system or equipment failure, or other interruption, the District needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **Risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenarios' likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Change management**—A change management process should be established for each type of change, and all changes should be documented.
- **Logging and monitoring**—Key user and system activity should be logged and monitored, particularly for users with elevated access.
- **Contingency planning**—The contingency plan should be updated annually, and a process should be developed and documented to perform regularly scheduled tests of the contingency plan and document the tests performed and results.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated when needed, and implemented district-wide, as appropriate.