



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Report on Internal Control and Compliance

Pima County Community College District

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Pima County Community College District
Report on Internal Control and Compliance
Year Ended June 30, 2007

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Pima County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Pima County Community College District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2007. Our report was modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Pima Community College Foundation, Inc., the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Pima Community College Foundation, Inc. were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider items 07-01 through 07-03 described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Governing Board and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

December 3, 2007

Pima County Community College District
Schedule of Findings and Recommendations
Year Ended June 30, 2007

Component Unit Findings

The other auditors that audited the Pima Community College Foundation, Inc. reported the following significant deficiencies for that component unit:

07-01

Pima Community College Foundation, Inc.

Reconciliation of donor database

Contributions recorded in the donor database and the accounting software are not reconciled. Additionally, contributions are not consistently recorded in the donor database and the database is not updated for changes to previously recorded information. We strongly recommend reconciling these two systems on a monthly basis to ensure both systems agree and have the correct information reported at all times.

Management response: None reported.

07-02

Pima Community College Foundation, Inc.

Access to cash receipts

Cash receipts are stored in a locked cabinet within the accountant's office prior to being deposited at the bank with all Foundation staff having access. Limiting the access of these receipts to only those requiring access will minimize the risk of potential misappropriation and increase the segregation of duties within the Foundation. We recommend reviewing this policy and revising it accordingly.

Management response: None reported.

07-03

Pima Community College Foundation, Inc.

Audit adjustments

For the year audited, multiple audit adjustments were required for the financial statements to be materially correct at year-end. Although auditors are permitted to draft an organization's financial statements, it is a strong indicator of a control deficiency if an organization has ineffective controls over the preparation of the underlying general ledger which is used to prepare the financial statements, including the footnotes. The unadjusted general ledger was not materially correct under generally accepted accounting principles. We recommend that the Foundation have appropriate processes in place to properly reconcile the general ledger throughout the year and especially at year-end, prior to audit fieldwork, as part of the year-end closing process.

Management response: None reported.