



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Report on Internal Control and Compliance

# Pima County Community College District

Year Ended June 30, 2009

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**Debra K. Davenport**  
Auditor General

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Pima County Community College District  
Report on Internal Control and Compliance  
Year Ended June 30, 2009

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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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2009. 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 reports 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, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider item 09-01 described in the accompanying Schedule of Findings and Recommendations to be a significant deficiency 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 consider the significant deficiency described above, item 09-01, to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's 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*.

Pima County Community College District's response to the finding identified in our audit is presented on page 4. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, federal awarding agencies, and pass-through entities 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.

Jay Zsorey, CPA  
Financial Audit Director

December 2, 2009

Pima County Community College District  
Schedule of Findings and Recommendations  
Year Ended June 30, 2009

**Pima County Community College District Finding**

09-01

**The District should strengthen access controls over its payroll data.**

Criteria: The District should have effective payroll computer system access controls to prevent and detect unauthorized use, damage, loss, or modification of sensitive or confidential employee payroll data.

Condition and Context: When obtaining an understanding of the District's internal control over payroll processing, auditors noted that 270 individual employees had system access that allowed them to make changes to sensitive employee payroll data, such as pay rates and periods of employment, and could also add new employees to the system. Most of these employees had job titles that indicated they would never be required to modify or add sensitive payroll data. In addition, any payroll data changes made became effective immediately, and the District did not have controls in place to ensure that the changes were appropriate and approved.

Effect: There is an increased risk of theft, manipulation, or misuse of sensitive or confidential data by unauthorized users or by users who were not being properly monitored. This finding is a material weakness in internal control over financial reporting.

Cause: Over several years, the District authorized and granted payroll computer system access to employees for job responsibilities or projects. However, the District did not always follow its procedures to revise employees' access rights when their job duties changed or when projects ended and did not have procedures in place to periodically review system users to ensure that access rights were compatible with employees' current job responsibilities. In addition, the District did not have written policies and procedures for monitoring changes made to employee payroll data.

Recommendation: The District should follow established procedures that require review and modification of employees' system access rights when they change positions or job responsibilities and should establish written policies and procedures that require periodic comprehensive reviews of existing system users to ensure that employees' access rights are compatible with their job responsibilities. In addition, the District should establish written policies and procedures that require review and approval of changes made to employee payroll system data and require that the documentation of such reviews be retained.

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## **Schedule of Findings and Recommendations** **Year Ended June 30, 2009**

Pima Community College reviewed the audit findings and has taken measures to correct deficiencies identified in the audit report.

**Item: 09-01**

The District should strengthen access controls over its payroll data.

**Recommendation:** The District should follow established procedures that require review and modification of employees' system access rights when they change positions or job responsibilities and should establish written policies and procedures that require periodic comprehensive reviews of existing system users to ensure that employees' access rights are compatible with their job responsibilities. In addition, the District should establish written policies and procedures that require review and approval of changes made to employee payroll system data and require that the documentation of such reviews be retained.

**Corrective Action:**

The College reviewed the access rights for all employees who have access to payroll data and adjusted the access from update to query, or eliminated access, for all employees except for those whose job responsibilities require update access. The access adjustments will be completed by February 12, 2010.

Human Resources is the responsible department and Doreen Armstrong is the responsible administrator. Written policies and procedures will be established and implemented by January 31, 2010 to ensure the following:

- (1) When a request for employee access to payroll data is submitted, the employees' job duties will be reviewed to ensure that the job responsibilities meet criteria that validates need for access
- (2) A periodic review of all employees who have access will be performed to confirm that their job responsibilities continue to require access to payroll data
- (3) Transactions made to payroll data will be monitored to verify that the activity is appropriate and that transaction postings are properly reviewed by supervisors