



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Report on Internal Control and Compliance

Pima County Community College District

Year Ended June 30, 2010



Debra K. Davenport
Auditor General

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Pima County Community College District
Report on Internal Control and Compliance
Year Ended June 30, 2010

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Report Issued Separately

Comprehensive Annual Financial Report



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2011. 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 and compliance and other matters 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.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We and the other auditors did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 10-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and those of the other auditors 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, others within the District, 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

March 29, 2011

Pima County Community College District
Schedule of Findings and Recommendations
Year Ended June 30, 2010

Pima County Community College District Finding

10-01

The District should maintain comprehensive policies and procedures to prepare financial statements.

Criteria: The District must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws, regulations, grants, contracts, and long-term debt covenants.

Condition and context: The District had not maintained adequate financial statement preparation procedures, including detailed preparation guidelines and a thorough review process. The auditors found it necessary to recommend several adjustments to help ensure that the financial statements and notes and other reported information within the District's *Comprehensive Annual Financial Report* were consistent, clear, and accurate.

Effect: The District's *Comprehensive Annual Financial Report* requires compiling detailed information in conformity with complex accounting principles. Therefore, without adequate report preparation procedures and training, the possibility of misstated or misleading information increases.

Cause: High turnover of experienced employees within the District's Budget and Reporting Department and time constraints made it difficult for the District to ensure that less experienced employees had adequate information to help prepare the financial report. In addition, because of the loss of employees, the financial information was not always adequately reviewed by someone knowledgeable.

Recommendation: To help strengthen policies and procedures over financial statement preparation, the District should develop and routinely update procedures to include:

- Detailed instructions for obtaining the necessary information from the accounting system and other data sources.
- A checklist that will help preparers and reviewers verify that all related amounts reconcile within the financial report.
- A formalized process in which an employee who is not responsible for the financial statement preparation reviews the report prior to auditor review to ensure that the amounts are accurate and properly supported.

Item 10-01

Policy and procedures to prepare financial statements

Contact person: Ina Lancaster, Director of Budget & Reporting

Anticipated completion date: June 30, 2011

Corrective Action:

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

The Director of Budget & Reporting will establish written procedures by June 30, 2011 to ensure accurate and timely preparation of the Annual Financial Report. These documented procedures will include the following:

- Documented procedures for District staff describing how to obtain the necessary information from the accounting system and the analytical procedures to be performed;
- Procedures for District staff describing how to obtain the necessary information from external sources that is used in the development of the annual report;
- A formal review of financial statements by the Controller's Office to ensure that the amounts are accurate and properly supported;
- A checklist that outlines the dates and procedures to be performed during the year and at year-end that will help preparers and reviewers verify that all of the related amounts reconcile within the financial report.

