



Pima County Community College District

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Pima County Community College District is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, 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 financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinions on the District's financial statements and its schedule of expenditures of federal awards and reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control weaknesses and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

Condensed financial information

Statement of net assets—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- **Invested in capital assets, net of related debt**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

Statement of revenues, expenses, and changes in net assets—This statement reports all revenues, expenses, and other changes in net assets. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2012, net assets increased by \$589,000, or .3 percent, as compared to an increase of \$17.9 million, or 9 percent, in fiscal year 2011.

Schedule of expenditures of federal awards—During fiscal year 2012, the District expended \$99.4 million in federal awards, which consisted primarily of student financial assistance. This included \$63.7 million that was spent as educational and general operating expenses and \$35.7 million of new loans disbursed to students and outstanding loan balances. The District's federal award expenditures increased by \$4.5 million, or 4.8 percent, compared to fiscal year 2011.

Condensed statement of net assets As of June 30, 2012 (In thousands)

Assets	
Current assets	\$ 96,400
Noncurrent, other than capital	32,770
Capital assets, net of depreciation	<u>114,603</u>
Total assets	<u>243,773</u>
Liabilities	
Current	11,880
Noncurrent	<u>14,345</u>
Total liabilities	<u>26,225</u>
Net assets	
Invested in capital, net of related debt	107,958
Restricted	9,454
Unrestricted	<u>100,136</u>
Total net assets	<u>\$217,548</u>

Condensed statement of revenues, expenses, and changes in net assets For the year ended June 30, 2012 (In thousands)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 30,316
Government contracts	3,097
Other	<u>2,789</u>
Total operating revenues	<u>36,202</u>
Operating expenses	
Educational and general	193,388
Auxiliary enterprises	694
Depreciation	<u>7,638</u>
Total operating expenses	<u>201,720</u>
Operating loss	(165,518)
Nonoperating revenues	
Property taxes	91,581
State appropriations	7,146
Government grants	64,971
Other	<u>2,343</u>
Net nonoperating revenues	<u>166,041</u>
Increase in net assets	589
Net assets—beginning	<u>216,959</u>
Net assets—ending	<u>\$217,548</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2012 (In thousands)

U.S. Department of Education	\$94,377
U.S. Department of Health and Human Services	4,713
Other	<u>316</u>
Total federal expenditures	<u>\$99,406</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's purchasing card use, timesheet approval, and procurement controls. For the federal compliance audit, we tested five federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not always have adequate internal controls and did not always comply with federal program requirements for four of its programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs include further details to help the District correct these deficiencies. The most significant findings and recommendations are summarized below.

District did not follow its purchasing policies

The District failed to follow its own purchasing policies and obtained \$518,535 of consulting and legal services without requiring formal competitive bids. Instead, it obtained the services through sole source purchases and by using another government's purchasing agreement. As a result, the District may not have received these services at the best possible price.

Recommendations

To improve the controls over purchasing, the District should:

- Restrict sole source purchases to only those limited situations where they are truly justified and ensure that sole source purchases meet the criteria in the District's policies.
- Provide more training to campus purchasers and require the District Purchasing Office to verify that all sole source purchases and purchases made using another government's purchasing agreement comply with district policies.

Noncompliance with federal program requirements

- The District had been overcharging its Health Profession Opportunity Grant program and subsequently determined that it should reduce its year-end federal reimbursement request by \$107,144. The District overcharged the program because grant officials were not aware that certain administrative costs were not allowed to be recovered.
- The District reported incorrect student enrollment status information, such as whether students were enrolled full-or part-time, for 10 percent of the students receiving assistance from the Federal Family Education Loans program. These errors may affect loan repayment terms and conditions for the affected students.
- The District failed to maintain required eligibility documents for more than half of its students who received assistance under the federal Refugee Assistance program. However, during the audit period, the District corrected this deficiency, and we found that it was maintaining the required eligibility documents for students entering the program at the end of the audit period.

Recommendations

To improve the controls over the District's federal programs and help ensure compliance with federal requirements, the District should:

- Develop and implement policies and procedures to ensure that federal programs are not charged for unallowed administrative costs.
- Develop and implement policies and procedures to ensure that enrollment status information reported is accurate and complete.
- Continue to enforce its new policies and procedures to ensure that all required eligibility documents are maintained.