



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Management Letter

# Pima County Community College District

Year Ended June 30, 2006

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**Debra K. Davenport**  
Auditor General

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

March 5, 2007

Governing Board  
Pima County Community College District  
4905C East Broadway Boulevard  
Tucson, AZ 85709

Members of the Board:

In planning and conducting our financial statement audit of Pima County Community College District for the year ended June 30, 2006, we performed the following as required by *Government Auditing Standards* (GAS):

- Considered the District's internal controls over financial reporting and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements.

There are no audit findings that are required to be reported in the GAS report. However, our audit disclosed an internal control weakness and instance of noncompliance with laws and regulations that does not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is described below.

### The District should strengthen and enforce conflict-of-interest policies and procedures

State law and the District's conflict-of-interest policies restrict public officers and employees from obtaining personal benefits from their official position by prohibiting their participation in any contract, purchase, sale, service, or decision in which an officer or employee has a substantial financial interest, whether direct or indirect. Further, officers and employees must disclose any substantial financial interest to the District. Arizona Revised Statutes §38-509 requires the District to maintain a special public file containing all documents necessary to document all known substantial financial interest disclosures.

However, District management informed auditors that employees did not always follow conflict-of-interest state laws or the District's policies and procedures. Specifically, during fiscal year 2006, an instructor received personal financial benefits totaling \$20,000 by requiring his students to buy educational software from his private business through the District's bookstore. The instructor did not report his financial interest in his private business to the District.

Governing Board  
Pima County Community College District  
March 5, 2007  
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To help ensure that the District's conflict-of-interest policies are followed, the District should provide ongoing training to all district employees regarding the District's conflict-of-interest, nepotism, and code of conduct policies and continue to monitor adherence to its policies. In addition, the District should update existing faculty policies to clarify that faculty members must complete a conflict-of interest form when they have substantial financial interest, whether direct or indirect, in any contract, purchase, sale, service, or decision involving the District, and must refrain from participating in that transaction. In addition, the District should require all faculty members to complete a conflict-of-interest form annually and maintain these completed forms in a special public conflict-of-interest file as required by state law.

This letter is intended solely for the information of the Pima County Community College District Governing Board and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA  
Financial Audit Director



## Pima County Community College District

District Office

Office of the Vice Chancellor for Finance  
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Tucson, Arizona 85709  
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February 20, 2007

Debbie Davenport  
Auditor General  
Office of the Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

Pima Community College (the District) would first like to express its appreciation for the work of the Office of the Auditor General regarding the instance of a faculty member who improperly obtained personal financial benefit by requiring students to buy educational software from his private business through the District bookstore. As mentioned in the letter from the Office of the Auditor General, the District Internal Auditor disclosed this situation to Auditor General staff when it became evident that improprieties had occurred.

Pima Community College takes conflict-of-interest issues very seriously and has already acted to strengthen internal controls and improve compliance with laws and regulations. Specifically, the District implemented a new course material adoption procedure in September 2006 during the spring term book adoption process. This new procedure includes a certification that each faculty member attests that he or she does not have an interest in the course materials submitted for adoption. Specifically, the statement reads:

Pursuant to A.R.S. 38-501-511 and the Pima Community College Personnel Policy Statement, by use and signature of this textbook adoption form, I certify that the materials included in this form do not affect a personal pecuniary or proprietary interest or an interest of a close relative. If the materials do affect such an interest, I certify that I have received written approval of the Chief Academic Officer or an official designee.

As such, the District reiterates faculty member legal responsibilities every time that he or she submits course materials for adoption. In terms of the other recommendations in the Office of the Auditor General Management Letter, Pima Community College is committed to implementing each of the recommendations. Following is a summary of recommendations with the specific response and timeline by which each recommendation will be addressed.

**The District should provide ongoing training to all district employees regarding the District's conflict-of-interest, nepotism, and code of conduct policies, and continue to monitor adherence to its policies.**

At this time, the District provides a number of courses on ethics and legal issues through the College's professional development Foundations workshops, which are required to be taken during the first year of employment. Two faculty-specific courses, "Ethics and Choice in Education" and "Legal Issues in Education," include conflict-of-interest and nepotism discussions. Similarly, the three day Intensive Foundations course for staff includes discussion about conflict-of-interest and nepotism in the "Civility and Ethics in the Workplace" workshop. Finally, the administration addresses topics of conflict-of-interest and other legal issues during the mandatory Administrative Leadership and Management Academy sessions on "Basics of Educational Law" and "Compliance, What is an Audit?"

Nevertheless, the District agrees that additional training on these topics should be provided for all employees and the District will be enhancing the importance of conflict-of-interest issue awareness in its professional development courses. Also, the District will be adding additional training to the New Employee Orientation, The Faculty Learning Academy, and the Administrative Leadership and Management Academy. The changes will be incorporated in the next training session for each group, beginning with the February 19, 2007 New Employee Orientation.

**The District should update existing faculty policies to clarify that faculty members must complete a conflict-of-interest form when they have substantial financial interest, whether direct or indirect, in any contract, purchase, sale, service, or decision involving the district, and must refrain from participating in that transaction.**

As mentioned earlier, the District has implemented a new procedure in which faculty are required to affirm that they have no personal or pecuniary interest in the adoption of educational materials for their courses. In addition, the District will update the faculty policy handbook to clarify that faculty must not participate in transactions that carry personal financial interest and must complete a conflict-of-interest form whenever there is a personal financial interest. The new language will be included in the updated faculty personnel policy statement for the 2007-08 year.

**The District should require all faculty members to complete a conflict-of-interest form annually and maintain these completed forms in a special public conflict-of-interest file as required by state law.**

The District will develop an improved conflict-of-interest disclosure system so that all employees will be asked to complete a conflict-of-interest statement prior to each year. Additionally, disclosure forms will be readily available at all times for individuals who may have potential conflicts arise during the course of the year. The annual process will occur in early in the fiscal year, beginning in 2007.

Sincerely,

David Bea, Ph.D.  
Vice Chancellor for Finance

