ARIZONA
AuditorGeneral
Making a Positive Difference

REPORT HIGHLIGHTS
Annual Financial and Single Audit Reports
Year Ended June 30, 2017

Pinal County Community College District
(Central Arizona College)

CONCLUSION: Pinal County Community College District is responsible for preparing its annual financial report and a federal expenditure schedule, 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 District's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the District's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the District's fiscal year 2017 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and an internal control weakness and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The increase or decrease in net position indicates whether financial health has improved or deteriorated because of current-year activities. Net position increased by nearly $17 million, or 18.6 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the District expended approximately $21.5 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures increased by $788,000, or 3.8 percent, compared to fiscal year 2016.

Statement of net position
As of June 30, 2017 (In thousands)

Assets and deferred outflows	
Current and other assets	$110,683
Capital assets, net of depreciation	156,491
Deferred outflows of resources	10,653
Total assets and deferred outflows	**277,827**
Liabilities and deferred inflows	
Current liabilities	10,843
Noncurrent liabilities:	
Net pension liability	35,985
Other	118,421
Deferred inflows of resources	4,623
Total liabilities and deferred inflows	**169,872**
Net position	
Net investment in capital assets	63,861
Restricted	10,910
Unrestricted	33,184
Total net position	**$107,955**

Statement of revenues, expenses and changes in net position
Year ended June 30, 2017 (In thousands)

Revenues	
Tuition and fees, net of scholarship allowances	$ 5,219
Property taxes	58,664
State appropriations	1,821
Government grants and contracts	19,360
Other revenues	1,950
Total revenues	**87,014**
Expenses	
Instruction and academic support	27,690
Scholarships and student services	12,167
Institutional support and operation and maintenance of plant	19,359
Other expenses	10,854
Total expenses	**70,070**
Increase in net position	16,944
Net position—beginning	91,011
Net position—ending	**$107,955**

Federal expenditure schedule
Year ended June 30, 2017 (In thousands)

Federal grantor agency	
Department of Education	$15,400
Department of Labor	5,852
Other	206
Total federal expenditures	**$21,458**

Understanding the District's financial report

Understanding how to extract information from the District's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at azauditor.gov, help users identify and understand important and useful information in the District's financial report and in our reports on internal control and compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in district financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the District has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's financial reporting related to its information technology (IT) resources. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and found that the District did not always have adequate internal controls and did not always comply with federal program requirements for one of its federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the District correct the internal control weaknesses and instance of noncompliance. The most significant findings and recommendations are summarized below.

District should improve controls over its IT resources—The District's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the District did not have adequate policies and procedures over its IT resources to effectively identify, analyze, and respond to risks and protect sensitive information; sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss; and ensure IT resources are configured securely.

Recommendations

To help identify, analyze, and respond to risks that may impact its IT resources and protect sensitive information; prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; and ensure IT resources are configured securely, the District needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **District-wide risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Logging and log monitoring**—Document the procedures performed for review and monitoring of key activities of users and those with elevated access.
- **Separate responsibilities for the change management process**—Responsibilities for developing and implementing changes to IT resources should be separated from the responsibilities of authorizing, reviewing, testing, and approving changes for implementation.
- **Applying patches**—Patches to IT resources should follow a documented patch management process that includes evaluating and testing patches and ensures patches are applied in a timely manner once the vendor makes them available.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented district-wide, as appropriate.