



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

**Pinal County Community
College District**

(Central Arizona College)

Year Ended June 30, 2005



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

October 23, 2006

Governing Board
Pinal County Community College District
8470 North Overfield Road
Coolidge, AZ 85228

Subject: Management Letter

Members of the Board:

In planning and conducting our single audit of Pinal County Community College District for the year ended June 30, 2005, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

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

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the District's Single Audit Reporting Package for the year ended June 30, 2005. In addition, our audit disclosed an internal control weakness that did not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described below.

The District should strengthen controls over its capital assets

The District has invested a significant amount of money in its capital assets. Therefore, the District needs to have the necessary controls to properly safeguard and account for this significant group of assets. The District had written policies and procedures related to capital assets; however, its policies and procedures did not include adequate controls for the disposal of capital assets. Specifically, policies did not require that disposal authorization forms be prepared when capital assets were deleted from the capital assets system. In addition, the policies did not require an investigation of lost property or a police report be filed for stolen property. Furthermore, the director of purchasing services was responsible for periodic physical inventories and also could delete items from the capital assets system without additional approval. Finally, asset disposals were not promptly removed from the capital assets listing.

The following procedures can help the District strengthen its controls over capital assets:

- Prepare disposal authorization forms for all capital assets to be disposed of, and have management approve the forms prior to removing the assets from the capital assets system.
- Separate responsibilities for capital assets so that the employee responsible for performing a capital asset physical inventory does not have the authority to delete assets from the capital assets system.
- Investigate and search for missing capital assets prior to removing them from the system.
- File a police report for all capital assets that are identified as stolen.
- Remove assets from the capital assets system within 30 days after verification of asset disposal.

In addition, the District should ensure that its capital asset policies and procedures are being followed by all employees.

A similar finding was included in our Management Letter dated August 26, 2005.

This letter is intended solely for the information of the Pinal 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,

Debbie Davenport
Auditor General



CENTRAL ARIZONA COLLEGE

August 16, 2006

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Az. 85018

Dear Ms. Davenport:

The accompanying Response of the Management Letter has been prepared by the District. Specifically, we have provided our response to the item within the Management Letter that includes providing an action plan for improvement.

Sincerely,

Dennis A. Jenkins
Senior Vice President of Finance
and Community Development/CFO

♦ *District Offices* ♦

8470 North Overfield Road ♦ Coolidge, Arizona 85228 ♦ 520/426-4444 ♦ FAX 520/426-4234

♦ *Campuses* ♦

Aravaipa Campus ♦ 80440 East Aravaipa Road ♦ Winkelman, Arizona 85292 ♦ 520/357-7864 or 866/869-6507 ♦ FAX 520/357-2019

Signal Peak Campus ♦ 8470 North Overfield Road ♦ Coolidge, Arizona 85228 ♦ 520/426-4444 ♦ FAX 520/426-4234

Superstition Mountain Campus ♦ 273 Old West Highway ♦ Apache Junction, Arizona 85219 ♦ 480/288-4000 ♦ FAX 480/288-4058

Florence Center ♦ 800 East Butte, Building 100 ♦ Florence, Arizona 85232 ♦ 520/868-1449 ♦ FAX 520/868-1588

Casa Grande Education Center ♦ 1015 East Florence Boulevard ♦ Casa Grande, Arizona 85222 ♦ 520/421-4980 ♦ FAX 520/426-3512 ♦ SBDC 520/426-4341

PINAL COUNTY COMMUNITY COLLEGE DISTRICT
RESPONSE TO MANAGEMENT LETTER
FISCAL YEAR ENDED JUNE 30, 2005

MANAGEMENT LETTER

ITEM – The District should strengthen controls over its capital assets

RESPONSE – During Fy 06 the District reviewed procedures for the purchasing, inventorying, and disposal of capital assets. Procedures have been strengthened to include proper segregation of duties between those responsible for conducting the periodic physical capital asset inventories and those responsible for recording, reconciling, and deleting items from the capital assets inventory system. Furthermore, procedures for the disposal of material capital assets have been strengthened to require proper authorization prior to deleting the asset from the inventory system, and notification of campus police for stolen items.