



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Management Letter

**Pinal County Community  
College District**

(Central Arizona College)

Year Ended June 30, 2006

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**Debra K. Davenport**  
Auditor General

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

DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

December 13, 2007

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

Members of the Board:

In planning and conducting our single audit of Pinal County Community College District for the year ended June 30, 2006, 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 in the GAS and OMB Circular A-133 reports have been included in the District's Single Audit Reporting Package for the year ended June 30, 2006. In addition, our audit disclosed internal control weaknesses and instances of noncompliance with laws and regulations that did not meet the reporting criteria. Management should correct these deficiencies to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is described in the accompanying summary.

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

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## The District should strengthen controls over credit cards

The District issued credit cards to approximately 60 of its employees for goods, services, and the payment of travel expenditures. Credit card limits range from \$2,500 to \$5,000 a month with a total limit for all cards of \$320,000. The District's policies and procedures require employees to submit credit card receipts and supporting purchase documentation to the Business Office, which is compared to the credit card billing prior to payment. However, District employees did not always submit credit card receipts and supporting purchase documentation to the Business Office in a timely manner. As a result, the balance of the credit card billings were not always paid in full each month and the District incurred interest charges on the unpaid balance.

The District should enforce its written policies and procedures over credit card purchases by requiring employees to submit credit card receipts and supporting purchase documentation to the Business Office monthly. In addition, credit card purchases should be reviewed and approved by an authorized employee. Enforcing policies and procedures will help the District resolve any questionable billings promptly and avoid interest charges.

## The District should update and test its disaster recovery plan

The District uses computerized information systems to process and store financial and student information that is vital to its daily operations. Therefore, it is critical that the District have an up-to-date contingency plan in place to provide continued operations and to ensure that electronic data files are not lost because of a system or equipment failure or other interruption. However, the District did not have a current and tested disaster recovery plan for its computerized information systems, as the plan had not been updated or tested since its implementation.

To help ensure that the District can provide for continuity of its operations and to help prevent loss of data in the event of a system or equipment failure or from a service interruption, the District should update and test its disaster recovery plan annually. After testing, the District should modify the plan to correct any problems to help ensure its effectiveness.

## The District should strengthen controls over 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 that a police report be filed for stolen property. Furthermore, the director of purchasing services was responsible for periodic physical inventories and also could remove 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 require a manager to approve all disposals 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 remove 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 all employees follow its capital asset policies and procedures.

A similar recommendation was included in our Management Letters dated August 26, 2005 and October 23, 2006.



October 23, 2007

Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> 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 items within the Management Letter that includes providing an action plan for improvement.

Sincerely,

Russell Banta  
Vice President of Finance

Pinal County Community College District  
(Central Arizona College)  
Response to Management Letter  
Year Ended June 30, 2006

ITEM – The District should strengthen controls over credit card payments

RESPONSE – The District has strengthened procedures and processes to ensure that purchasing card and credit card bank account balances are paid in full in a timely manner and that supporting documentation for the purchase is received from the employee in a timely manner.

ITEM – The District should update and test its disaster recovery plan

RESPONSE – The District has updated its computerized information systems disaster recovery plan to ensure electronic data files are not lost due to a major hardware or software failure or other interruption. Also, hardware and software modifications are being made to disaster recovery system, and successful testing of the system revisions is scheduled to be completed by December 31, 2007.

ITEM – The District should strengthen controls over capital assets

RESPONSE – Procedures have been strengthened to ensure missing capital items are properly investigated and the disposal of capital assets are properly authorized and documented. Further, responsibilities have been segregated so that employees responsible for performing capital asset inventories cannot delete assets from the capital assets system.