

**REPORT
HIGHLIGHTS**
SINGLE AUDIT

Subject

The District is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for use of its public monies. As the auditors, our job is to determine whether the District has met its responsibilities.

Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. Generally, the District maintained adequate internal controls over financial reporting, with seven exceptions. Also, the District maintained adequate internal controls over, and complied with, federal program requirements, with two exceptions. See pages 2 and 3 for further details.



2008

Year Ended June 30, 2008

**District's Condensed
Financial Information**

The following tables present summarized information from the District's Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Net Assets

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health. The table to the right presents a condensed Statement of Net Assets as of June 30, 2008.

**Statement of Revenues,
Expenses, and Changes in Net
Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating results, as well as nonoperating revenues and expenses. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current-year operations. The District's net assets increased by \$11.2 million during the fiscal year. The table to the right summarizes the District's revenues and expenses for the year ended June 30, 2008.

**Statement of Net Assets
As of June 30, 2008
(In Thousands)**

Assets	
Current	\$35,470
Noncurrent, other than capital	12,896
Capital	<u>40,288</u>
Total assets	<u>88,654</u>
Liabilities	
Current	9,253
Noncurrent	<u>22,902</u>
Total liabilities	<u>32,155</u>
Net Assets	
Invested in capital assets, net of related debt	16,203
Restricted	8,372
Unrestricted	<u>31,924</u>
Total net assets	<u>\$56,499</u>

**Revenues and Expenses
For the Year Ended June 30, 2008
(In Thousands)**

Operating Revenues	
Tuition and fees	\$ 4,902
Other	<u>923</u>
Total operating revenues	<u>5,825</u>
Nonoperating Revenues	
Property taxes	34,802
State appropriations	6,850
Grants and contracts	7,212
Other	<u>2,040</u>
Total nonoperating revenues	<u>50,904</u>
Total revenues	<u>\$56,729</u>
Operating Expenses	
Educational and general	\$40,787
Auxiliary enterprises	542
Depreciation	<u>2,892</u>
Total operating expenses	<u>44,221</u>
Nonoperating Expenses	
Interest expense	1,127
Other	<u>133</u>
Total nonoperating expenses	<u>1,260</u>
Total expenses	<u>\$45,481</u>

The District Should Strengthen Internal Controls over Computer Operations, Purchasing, the Employee Health Plan, Capital Assets, and Financial Statement Preparation

It is critical that the District establish and enforce effective internal control policies and procedures. Auditors identified the following deficiencies in the design and operation of the District's internal controls over computer operations, purchasing, capital assets, the employee health plan, and financial statement preparation.

Computer Operations

The District's disaster recovery plan was not comprehensive and did not include key elements. In addition, the District did not retain documentation to support users' access rights granted prior to July 1, 2007. Further, the database administrator was granted full access to the general ledger system, but the District did not monitor his activities. The District should strengthen its internal controls over computer operations to safeguard data and ensure that files are not lost in the event of a disaster or interruption.

Purchasing

The District's purchasing policies and procedures were not always enforced and did not include detailed procedures for competitive purchases. As a result, the District did not follow proper procurement procedures for a construction remodeling project exceeding \$35,000. Further, the District did not always require employees to provide documentation for credit card purchases in a timely manner. Consequently, the District paid interest charges because credit card balances were not paid in full without supporting documentation. The District needs to revise and enforce its procurement and credit card procedures to ensure that it receives the best possible value for the monies it spends.

Employee Health Plan

The District did not adequately monitor a consulting firm who helped administer the employee health plan. Specifically, the District relied on the firm to reconcile the employee benefits bank account and provide reports on claims the firm paid on the District's behalf. In addition, the consulting firm was an authorized signer on the account and had access to over \$926,000 of the District's monies at June 30, 2008. The District should monitor the financial activity recorded in the employee benefits account and minimize the account balance to cover only the current month's expenses.

Capital Assets

One district employee who performed the physical inventory could delete items from the capital assets system without approval and also could initiate and approve capital purchases under \$5,000. The District should ensure that responsibilities over capital assets are adequately separated.

Financial Statement Preparation

The District needs to prepare its financial statements and supporting schedules accurately and in a timely fashion. However, the District did not complete its financial statements and notes to financial statements timely. As a result, the District's Single Audit Reporting Package was not submitted by March 31, 2009, in accordance with OMB Circular A-133. The District should establish a process to ensure that all financial information is compiled in an accurate and timely manner after fiscal year-end.

The District Did Not Always Comply with Federal Program Requirements

The District spent more than \$8.7 million for 17 federal programs during fiscal year 2008. Under the guidelines established by the Office of Management and Budget Circular A-133, auditors tested the Community Based Job Training Grants program, the Student Financial Assistance Cluster, and the Higher Education—Institutional Aid program.

The District had the following two significant internal control deficiencies and one instance of noncompliance over its federal programs.

Cash Management

The District receives most of its federal funding on a reimbursement basis, which means that the District must pay eligible program costs before requesting reimbursement from the federal government. Auditors determined that one employee was responsible for compiling, approving, and submitting the required requests without supervisory review for all three programs tested. As a result, the District requested more money for the Community Based Job Training Grants program than had been spent. Further,

for the Student Financial Aid Cluster, a reconciliation was not prepared between the finance subsystem and disbursement subsystem.

The District caught the errors and made the applicable corrections; therefore, no questioned costs resulted from this finding. The District should assign a second employee to review all reimbursement requests and reconcile the disbursement and financial subsystems at least monthly.

Procurement, Suspension, and Debarment

The District did not establish adequate internal control policies and procedures to ensure it obtained the required suspension and debarment certifications from its vendors. The District should amend its procurement policies and procedures to address all federal requirements, including verifying that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. No questioned costs resulted from this finding.

The Single Audit Fact Sheet

- Seven significant deficiencies in financial-reporting internal controls, including two material weaknesses.
- Two significant deficiencies in federal compliance internal controls that resulted in a violation of federal compliance requirements.
- No program costs were questioned as a result of our audit.

TO OBTAIN
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A copy of the full report
can be obtained by calling
(602) 553-0333



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Contact person for
this report:
Tara Erickson



**Pinal County Community
College District**
(Central Arizona College)

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SINGLE AUDIT
Year Ended June 30, 2008