



**REPORT
HIGHLIGHTS**
FINANCIAL AND SINGLE AUDITS

Subject

Yuma/La Paz Counties Community College District is responsible for preparing financial statements, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. 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 on. However, the auditors identified four deficiencies in internal control over financial reporting. The most significant of these deficiencies is summarized on this page. For the four federal programs tested, auditors found three internal control weaknesses and instances of noncompliance for two programs. A material weakness and noncompliance was noted for one of these programs.



2010

Year Ended June 30, 2010

Financial Statement Audit Summary

Inadequate Controls over Financial Reporting—The District did not have written policies and procedures for granting access or making system and program changes, and did not have a disaster recovery plan for its general ledger system. As a result, auditors identified three material weaknesses in internal control over financial reporting. These deficiencies and our recommendations are summarized below.

Lack of Effective Computer System Access Controls

The District did not always maintain documentation authorizing user access to its general ledger system. In addition, the District did not document the extent of access rights granted to employees or ensure that access granted was compatible with employees' job responsibilities. Further, the District did

not have adequate controls to monitor the activities of employees with unlimited system access.

Lack of System and Program Change Controls

The District did not have effective controls to ensure that system and program changes to its general ledger system were properly authorized, and that these responsibilities were adequately separated so that the same employee could not develop changes and put them into use.

Lack of a Disaster Recovery Plan

The District did not develop a disaster recovery plan to be used in the event of a system or equipment failure or other interruption.

Auditor recommendations to improve internal controls over its general ledger system—

- Establish written policies and procedures for granting access and making changes to its general ledger system.
- Require that all access requests are properly documented and approved and contain sufficient information to assign the appropriate level of system access to employees.
- Perform periodic reviews of all existing system users' access and revoke inappropriate access immediately.
- Restrict unlimited system access to only essential personnel and monitor this access.
- Require that all system and program changes be documented, authorized, tested, reviewed, and approved prior to putting them into use. These responsibilities should be adequately separated among employees.
- Design, implement, and test a disaster recovery plan.

Condensed Financial Information

Statement of Net Assets—This statement 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, is one way to measure the District's financial health.

- Invested in capital assets, net of related debt shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

A condensed Statement of Net Assets is presented to the right.

Statement of Revenues, Expenses, and Changes in Net Assets—This statement reports all revenues, expenses, and other changes to net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of the current-year operations. The District's net assets increased by \$4.6 million during the fiscal year. A condensed Statement of Revenues, Expenses, and Changes in Net Assets is presented to the right.

Condensed Statement of Net Assets June 30, 2010 (In Thousands)	
Assets:	
Current	\$ 48,195
Noncurrent, other than capital	863
Capital	<u>94,728</u>
Total assets	<u>143,786</u>
Liabilities:	
Current	18,138
Noncurrent	<u>70,614</u>
Total liabilities	<u>88,752</u>
Net Assets:	
Invested in capital assets, net of related debt	23,226
Restricted	8,569
Unrestricted	<u>23,239</u>
Total net assets	<u>\$ 55,034</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2010 (In Thousands)	
Operating revenues:	
Tuition and fees	\$ 4,694
Other	<u>3,010</u>
Total operating revenues	<u>7,704</u>
Operating expenses:	
Educational and general	52,288
Auxiliary enterprises	4,076
Depreciation	<u>4,581</u>
Total operating expenses	<u>60,945</u>
Operating loss	<u>(53,241)</u>
Nonoperating revenues and expenses:	
Property taxes	26,920
State appropriations	7,751
Grants	24,993
Other revenue	1,456
Interest expense	(3,255)
Other expenses	<u>(2)</u>
Net nonoperating revenues	<u>57,863</u>
Increase in net assets	4,622
Net assets—July 1, 2009	<u>50,412</u>
Net assets—June 30, 2010	<u>\$ 55,034</u>

Federal Compliance Audit Summary

Auditors tested four federal programs under the guidelines established by the Single Audit Act: WIA Cluster, Student Financial Assistance Cluster, TRIO Cluster, and the Higher Education—Institutional Aid program. Auditors identified three deficiencies in internal control over compliance and instances of noncompliance with federal program requirements for two of these programs. A material weakness in internal control over compliance and material noncompliance was noted for one of the programs. A summary of the findings and our recommendations is provided below.

Higher Education—Institutional Aid

Davis-Bacon Act—A material weakness in internal control over compliance and material noncompliance with this requirement resulted because the District did not require contractors and subcontractors to pay their employees the prevailing wages when constructing a new math facility paid for with program monies. Payments to contractors and subcontractors totaled approximately \$1.7 million; however, questioned costs were unknown.

Procurement and Suspension and Debarment

—A significant deficiency in internal control over compliance and noncompliance with these requirements resulted because the District did not maintain documentation to support that it had performed due-diligence procedures when using another government's contract to ensure that the contractor was selected using policies and procedures similar to the District's. In addition, the District did not verify that the contractor had not been suspended or debarred from doing business with the federal government. Payments to this contractor totaled approximately \$140,000; however, auditors noted no questioned costs.

TRIO Cluster

Activities Allowed or Unallowed and Allowable Costs/Cost Principles—A significant deficiency in internal control over compliance and noncompliance with these requirements resulted because the District did not have adequate policies and procedures to ensure that certain hourly employees were paid only for hours worked as reported on time records. Known questioned costs consisted of overpayments to employees and totaled \$541.

Auditor recommendations to improve internal controls over compliance and to comply with federal program requirements—

Davis-Bacon Act

- Require all contractors and subcontractors that are awarded federal monies exceeding \$2,000 to pay employees the prevailing wage rates established by the U.S. Secretary of Labor.
- Request and review contractors' and subcontractors' payroll certification reports to verify that prevailing wages were paid.

Procurement and Suspension and Debarment

- Perform and document due-diligence procedures for at least a sample of other governments' contracts that the District uses.
- Verify that all vendors paid over \$25,000 have not been suspended or debarred from doing business with the federal government.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

- Pay all employees for actual hours worked as reflected on time records.

The District's Federal Award Expenditures Increased from the Prior Year

Overall, district expenditures of federal award monies increased by \$6.7 million, or 32 percent, compared to fiscal year 2009. The increase is primarily attributed to the District's receiving an increase of \$6.6 million in federal awards from the U.S. Department of Education (DOE) for student financial assistance because of the American Recovery and Reinvestment Act (ARRA), the construction of new educational facilities, and state fiscal stabilization. Specifically,

the District received an additional \$5.7 million in Student Financial Assistance Cluster programs for Pell grants to students. In addition, the District's funding for the Higher Education—Institutional Aid program increased by \$1.9 million to construct a math facility. Also, the District continued to receive State Fiscal Stabilization Funds—Education State Grants, Recovery Act, monies from the State of Arizona during the year

TO OBTAIN MORE INFORMATION

A copy of the full report is available at:
www.azauditor.gov

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U.S. Department of Education	\$25,703
U.S. Department of Labor	1,292
Other	451
Total federal expenditures	\$27,446

American Recovery and Reinvestment Act Monies—The District received ARRA monies during the fiscal year from the U.S. Department of Education, the State of Arizona, and the Yuma Private Industry Council. The DOE increased the amount of Pell grant awards to provide financial assistance to students. The amount of ARRA funding from the DOE is not separately identified on the Schedule of Expenditures of Federal Awards but is tracked by the DOE. In addition, the State awarded the District \$543,000 of State Fiscal Stabilization Fund monies to help offset shortfalls in state funding for higher education. Finally, the Yuma Private Industry Council awarded \$255,000 in ARRA monies to the District for the WIA Cluster to provide training programs to help participants obtain jobs.