

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Yuma/La Paz Counties Community College District is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, 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 financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion on the District's financial statements, a report on its schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control deficiencies. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

## Condensed financial information

**Statement of net assets**—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- **Invested in capital assets, net of related debt**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

**Statement of revenues, expenses, and changes in net assets**—This statement reports all revenues, expenses, and other changes in net assets. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2012, net assets increased by \$752,000, or 1 percent, as compared to an increase of \$2.9 million, or 5 percent, in fiscal year 2011.

**Schedule of expenditures of federal awards**—During fiscal year 2012, the District expended nearly \$24.9 million in federal awards, which included \$22.6 million that was spent as educational and general operating expenses and \$2.3 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$2.5 million, or 9 percent, compared to fiscal year 2011.

### Condensed statement of net assets As of June 30, 2012 (In thousands)

<b>Assets</b>	
Current assets	\$ 42,963
Noncurrent, other than capital	685
Capital assets, net of depreciation	88,138
Total assets	<u>131,786</u>
<b>Liabilities</b>	
Current	6,755
Noncurrent	<u>66,381</u>
Total liabilities	<u>73,136</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	20,927
Restricted	6,754
Unrestricted	<u>30,969</u>
Total net assets	<u>\$ 58,650</u>

### Condensed statement of revenues, expenses, and changes in net assets For the year ended June 30, 2012 (In thousands)

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 4,541
Other	<u>3,504</u>
Total operating revenues	<u>8,045</u>
<b>Operating expenses</b>	
Educational and general	53,149
Auxiliary enterprises	4,084
Depreciation	<u>4,717</u>
Total operating expenses	<u>61,950</u>
Operating loss	(53,905)
<b>Nonoperating revenues and expenses</b>	
Property taxes	28,904
State appropriations	4,090
Government grants	23,228
Other	1,492
Interest expense	<u>(3,057)</u>
Net nonoperating revenues	<u>54,657</u>
Increase in net assets	752
Net assets—beginning	<u>57,898</u>
Net assets—ending	<u>\$ 58,650</u>

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2012 (In thousands)

U.S. Department of Education	\$23,759
U.S. Department of Labor	605
Other	<u>502</u>
Total federal expenditures	<u>\$24,866</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information system. For the federal compliance audit, we tested five federal programs under the major program guidelines established by the Single Audit Act and reported no internal control weaknesses or instances of noncompliance. The findings and recommendations for the financial statement audit are summarized below.

### Inadequate information system access, change, and recovery controls

The District did not have adequate policies and procedures for documenting, restricting, and monitoring information system access rights during the fiscal year. Specifically, the District did not always sufficiently document the user access granted to its information system, establish and define user access roles and security classes to help ensure that access granted was appropriate and compatible with employees' job responsibilities, and monitor the activities of employees with significant system access. In addition, the District did not have effective controls to ensure that system changes were controlled and properly documented, authorized, tested, and approved prior to implementation, and ensure that responsibilities were adequately separated so that the same individual could not develop changes and put them into use. Finally, the District did not fully test its disaster recovery plan.

### Recommendations

The District should:

- Develop policies and procedures to help ensure proper separation of responsibilities by defining, assigning, and approving user access roles and system responsibilities.
- Establish procedures for granting and restricting system access to help ensure that the access granted is appropriate for users, adequately documented, assigned to specific individual users for accountability, approved by the appropriate supervisor, and removed immediately for terminated employees.
- Perform a comprehensive review of all existing system users annually to help ensure that access granted is compatible with their job responsibilities.
- Monitor system access for unusual or suspicious activity, and investigate if found.
- Develop and implement procedures for controlling system changes that include requiring all changes to be documented, authorized, tested, and approved prior to implementation.
- Separate responsibilities for authorizing, testing, and approving system changes.
- Fully test the disaster recovery plan annually.