



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 opinions on the District's financial statements and 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 2014 financial statements and schedule of federal awards is reliable. Our reports identified internal control findings over financial reporting. These findings are summarized on the next page.



2014

Year Ended June 30, 2014

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows of resources, liabilities, and net position. Net position is reported in three major categories:

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

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. Revenues and expenses are reported as either operating or non-operating. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2014, net position decreased by \$2.5 million, or 4 percent, as compared to an increase of \$453,000, or less than 1 percent, in fiscal year 2013.

Schedule of expenditures of federal awards—During fiscal year 2014, the District expended \$25.8 million in federal awards, which consisted primarily of student financial assistance. This included \$24 million that was spent as educational and general operating expenses and \$1.8 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$1.5 million, or 6 percent, compared to fiscal year 2013.

**Condensed statement of net position
As of June 30, 2014
(In thousands)**

Assets	
Current assets	\$ 38,808
Noncurrent, other than capital	294
Capital assets, net	<u>86,660</u>
Total assets	<u>125,762</u>
Deferred outflows of resources	<u>2,782</u>
Liabilities	
Current	7,024
Noncurrent	<u>64,914</u>
Total liabilities	<u>71,938</u>
Net position	
Net investment in capital assets	23,150
Restricted	8,949
Unrestricted	<u>24,507</u>
Total net position	<u>\$ 56,606</u>

**Condensed statement of revenues,
expenses, and changes in net position
For the year ended June 30, 2014
(In thousands)**

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 3,701
Other	<u>3,173</u>
Total operating revenues	<u>6,874</u>
Operating expenses	
Educational and general	55,435
Auxiliary enterprises	4,768
Depreciation	<u>4,643</u>
Total expenses	<u>64,846</u>
Operating loss	(57,972)
Nonoperating revenues and expenses	
Property taxes	29,351
State appropriations	2,754
Government grants	24,940
Other nonoperating, net	584
Interest expense	<u>(2,481)</u>
Net nonoperating revenues	<u>55,148</u>
Capital additions	327
Decrease in net position	(2,497)
Net position—beginning	<u>59,103</u>
Net position—ending	<u>\$ 56,606</u>

**Condensed schedule of expenditures
of federal awards by grantor agency
For the year ended June 30, 2014
(In thousands)**

Department of Education	\$25,153
Department of Labor	452
Other	<u>212</u>
Total federal expenditures	<u>\$25,817</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information systems and financial reporting. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and reported no deficiencies in internal control or instances of noncompliance over federal programs. Our Single Audit report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct the deficiencies. We have summarized the most significant deficiencies below.

Inadequate information systems policies and procedures

The District's networks and information systems process and store information and data that is vital to its daily operations. However, the District lacked adequate policies and procedures to sufficiently protect this information and data. Specifically, the District did not have adequate procedures to periodically review employees' system access rights or to remove them when employees terminated. As a result, the District allowed some employees access to information that was not necessary for their job responsibilities and did not always remove employees' access to sensitive student and financial information immediately after their terminations. Also, the District lacked adequate procedures to identify, classify, and secure its confidential and sensitive information and to monitor key system activity to discover if unauthorized individuals had attempted to or had accessed that information. In addition, the District lacked procedures to ensure changes to its hardware, software, and network were authorized, tested, and reviewed prior to being implemented. Finally, the District's disaster recovery plan for restoring its information systems in the event of an equipment failure or other interruption lacked key elements, such as processes for analyzing and prioritizing recovery of key systems and for moving operations to an alternate site if the main site became inoperable. Although we did not find any unauthorized breaches of the systems or manipulation of information and data, the District should implement adequate systems policies and procedures to help ensure its information and data is protected.

Recommendation

The District should evaluate and update its information systems policies and procedures to ensure that they sufficiently address the following:

- Performing a periodic and comprehensive review of all existing employee access rights to ensure that information system access is needed and compatible with job responsibilities.
- Removing employees' network and information systems access immediately upon their terminations.
- Identifying, classifying, and appropriately securing sensitive data and information.
- Logging and monitoring key system and user activities.
- Documenting, authorizing, testing, and approving information system changes prior to implementation.
- Identifying the recovery priority of key systems and procedures for moving operations to an alternate site in the event of an equipment failure or other interruption.