



Report on Internal Control and on Compliance Year Ended June 30, 2025

Santa Cruz County Provisional Community College District



Lindsey A. Perry
Auditor General

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Representative **Steve Montenegro** (ex officio)

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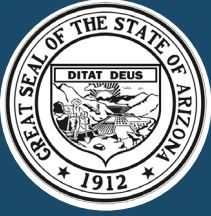
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**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, Auditor General

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Governing Board of
Santa Cruz County Provisional Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the governmental activities and General Fund of Santa Cruz County Provisional Community College District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2026.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2025-02 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2025-01 to be a significant deficiency.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and recommendations as item 2025-02.

District response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The District is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

September 30, 2026

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

The subsequent pages present the Arizona Auditor General's findings and recommendations resulting from our audit of the District's financial statements.

The District paid \$1,988 for food and beverages, decorations, and other expenses using purchasing cards without complying with its policy and did not ensure \$666 of these purchases served a public purpose and benefited the District, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Condition

Contrary to its policy, the District paid \$1,988 in fiscal year 2025 for food and beverages, decorations, and other expenses for 19 of 25 purchasing card transactions we reviewed that were not in compliance with District policy, as described in Table 1 and the bullets below and on page 5.

Table 1

The District failed to comply with its policies and procedures for \$1,988 of purchasing card transactions and did not ensure \$666 of these purchases served a public purpose and benefited the District

Fiscal year June 30, 2025

Purchase type	Number of noncompliant transactions	Purchase amount associated with noncompliant transactions	Number of transactions without review and approval	Purchase amount associated with no review and approval	Number of transactions lacking public purpose	Purchase amount associated with lacking public purpose
Supplies	4	\$802	4	\$802	0	\$0
Food and beverages	10	647	8	415	10	647
Subscriptions	2	270	2	270	0	0
Training	1	250	1	250	0	0
Decorations	2	19	0	0	2	19
Total	19	\$1,988	15	\$1,737	12	\$666

Source: Auditor General staff review of District purchasing card activity, bank statements, invoices, and other miscellaneous documentation.

- ▶ For 15 transactions totaling \$1,737, the District did not ensure a required second employee reviewed and approved the purchasing card transactions prior to payment, including food and beverages, subscriptions, IT equipment, training, and supplies purchases as shown in Table 1 on page 4.
- ▶ For 12 transactions totaling \$666, the District did not ensure public monies its employees spent on food and beverages and decorations using purchasing cards were necessary to serve a public purpose and to benefit the District, as required by its policy. Specifically, the District paid \$647 for food and beverages primarily for board meetings, retirement celebrations, and employee snacks and \$19 for Halloween and retirement party decorations as shown in Table 1 on page 4.¹

Effect

The District's not reviewing and approving purchasing card transactions and ensuring they were necessary to serve a public purpose and to benefit the District put public monies at risk of being misspent or misused, which could also be a possible violation of the Arizona Constitution's ban on gifts or loans of public monies. Further, when public monies are misspent or misused, less monies are available for uses that benefit the District and its students, such as for facilities and teaching equipment.

Cause

District management reported to us that, because of limited staffing, they did not follow the District's existing policy to have a second employee review and approve purchasing card transactions to ensure the purchases served a public purpose. Further, its policy and procedures lacked detailed requirements, including how to evaluate and document how purchases serve a public purpose, training requirements, and corrective action procedures, like specifying penalties and requesting reimbursement for unallowable purchases.

Criteria

State law bans gifts of public monies by districts to individuals, which could potentially include purchasing card expenditures that are for food and beverages and decorations (Arizona Constitution, Art. IX, Sec. 7). Consequently, if the District determines that it is appropriate to purchase food and beverages using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the District. Accordingly, the District's policy requires that purchasing card transactions must be for a valid District and public purpose and be reviewed and approved by a second employee.²

Developing and implementing detailed policies and procedures for purchasing cards is an essential part of internal control standards, such as the *Standards for Internal Control in the*

¹ An additional 42 transactions totaling \$2,129 in food and beverages and decoration expenditures in the population of purchasing card transactions could have similar concerns to the expenditures tested.

² Santa Cruz Provisional Community College District. (2018). *Financial Procedures, Section 4.3 Disbursements: General Information*.

Federal Government issued by the Comptroller General of the United States, and integral to ensuring the District's financial reporting and related compliance objectives are achieved.³

Recommendations to the District

1. Follow its existing policy and require a second employee to review and approve all purchasing card transactions, prior to payment, ensuring they are necessary to serve a public purpose and to benefit the District.
2. Ensure purchasing cardholders follow its existing policy that requires use of purchasing cards only for valid District and public purposes. If the District determines that it is appropriate to purchase food and beverages using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the District.
3. Review expenditures identified by the audit and request reimbursement for any unallowable purchases, including for Halloween and retirement party decorations.

Make it a priority to update its existing policy to:

4. Require documentation to support that purchases were necessary to serve a public purpose and benefit the District, including food and beverages and the events for which they were purchased.
5. Request reimbursement for any unallowable purchasing card expenditure within a reasonable period of time.
6. Specify penalties for purchasing card holders who violate District policy.
7. Require periodic training on its policy and procedures for using purchasing cards for all District employees who are purchasing card holders or approvers. Training should address detailed instructions for how to submit documentation for review and approval, what documentation to provide, and how to ensure purchases do not violate constitutional provisions.

Views of responsible officials

District management concurs with this finding. The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

³ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 8/14/2026 from <https://www.gao.gov/assets/670/665712.pdf>

The District issued its Annual Financial Report 6 months late, and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed

Condition

Contrary to State Law, the District issued its Annual Financial Report (AFR) for the year ended June 30, 2025, over 15 months after fiscal year-end and 6 months later than required. Further, contrary to U.S. generally accepted accounting principles (GAAP), the District’s initial AFR submitted to us contained errors we identified and recommended the District correct so that the District’s financial statements and note disclosures would contain accurate information. The District subsequently corrected these errors from original drafts, including the misclassifications and misstatements to the financial statements shown in Table 1 below.

Table 1
District’s initial AFR submitted to us contained over \$5 million of significant misstatements and misclassifications in its financial statements or note disclosures

Year ended June 30, 2025

Error identifier	Misstatement or misclassification	Financial statement line item or note disclosure	Description of misstatement or misclassification	Error amount
1	Misstatement	Cash in bank and investments note disclosure	The District excluded key risk disclosures for its investments.	\$4,800,000
2	Misstatement	Accounts payable and education and general expenditures	The District did not accrue expenditures in its financial statements.	182,285
3	Misclassification	Revenues	The District did not classify miscellaneous, leases, and State appropriation revenues correctly.	71,669
Total				\$5,053,954

Source: Auditor General staff review of the District’s draft financial statements as of June 30, 2025.

Effect

The District's Finance Department did not provide timely financial information to its Governing Board and others who rely on it to make important decisions about the District's operations. Additionally, because the District had not issued timely financial statements, its Annual Budgeted Expenditure Limitation Report (ABELR), which relies on information from the AFR and was due 9 months after fiscal year-end, will also be issued late.

In addition, while the District corrected the errors we identified before issuing its final financial statements, without implementing corrective actions to improve its financial reporting process, there is an increased risk that the District's financial statements could contain significant errors that are not discovered and further misinform those who are relying on the information.

Cause

District management reported that they had limited full-time staff to oversee the District's operations and to prepare the financial statements. As a result, the District failed to provide key financial information, such as complete and accurate financial statements, associated note disclosures, and supporting schedules, to us by established deadlines agreed upon at the beginning of the audit. Additionally, the District did not have sufficiently detailed policies and procedures for preparing and reconciling the financial statements, note disclosures, and supporting schedules to accounting records to ensure financial activity is accurately recorded and presented in accordance with GAAP. Further, the District did not require a second employee to review and approve the financial statements and note disclosures for accuracy and evaluate the financial information to ensure significant changes were properly classified and disclosed.

Criteria

State law requires the District to issue its audited financial statements and ABELR within 9 months after fiscal year-end, or by March 31, 2026 (Arizona Revised Statutes §41-1279.07[C]). Further, the Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the District to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the District's governance and management, and others who rely on the reported financial information to make important decisions about the District's financial operations.

Finally, designing, implementing, and maintaining effective policies and procedures is necessary to achieve the District's financial reporting objectives and an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.¹

¹ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 8/13/2026 from <https://www.gao.gov/assets/670/665712.pdf>

Recommendations to the District

1. Issue the District's AFR by the statutory deadline.
2. Provide accurate and key financial information to auditors by agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its audited AFR.
3. Prepare the financial statements, associated note disclosures, and supporting schedules accurately and in accordance with GAAP.

Develop policies and procedures for preparing its financial statements in accordance with GAAP and train responsible employees on step-by-step procedures to:

4. Reconcile its financial statement balances and activities to the supporting records, including preparing common year-end financial statement adjustments.
5. Evaluate significant changes to financial information to ensure it is properly classified and disclosed.
6. Perform a detailed review of the draft financial statements, note disclosures, and supporting schedules to ensure the AFR is accurate, complete, properly supported, and presented in accordance with GAAP and to detect and correct misstatements in the financial statements and note disclosures before providing them for audit. This review should be performed by an individual who is independent of the financial statements' preparation and knowledgeable of GAAP reporting requirements.

Views of responsible officials

District management concurs with this finding. The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The District prepared the subsequent pages of this document.

District response and corrective action plan

The District response and corrective action plan includes the District's responses to each finding identified in our audit, including the District's corrective action plan and anticipated completion dates to implement our audit finding recommendations.

We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.



September 28, 2026

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Tavera", written over a horizontal line.

Georgina M. Tavera

Chief Financial Officer



Santa Cruz County Provisional Community College District
Corrective action plan
Year ended June 30, 2025

Financial statement findings

2025-01

The District paid \$1,988 for food and beverages, decorations, and other expenses using purchasing cards without complying with its policy and did not ensure \$666 of these purchases served a public purpose and benefited the District, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Name(s) of contact person(s) Georgina M. Tavera

Anticipated completion date: March 30, 2027

The District will require documented pre-approval for all purchasing card transactions and will strengthen monthly reconciliation of purchasing card statements, with each cardholder's transactions reviewed and approved by a supervisor against supporting receipts and invoices. Cardholders will receive training on District policies and the requirement that public monies be spent only for authorized District purposes. Any transaction found to be unauthorized will be documented and reimbursed by the responsible employee.



2025-02

The District issued its Annual Financial Report 6 months late, and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed

Name(s) of contact person(s) Georgina M. Tavera

Anticipated completion date: December 30, 2026

The District will adopt a standardized month-end and year-end close calendar with defined deadlines for reconciliations, account analysis, and supervisory review of financial statements and note disclosures before submission. Preparation and review responsibilities will be assigned to separate staff, and the Finance Department will provide auditors with requested schedules and supporting documentation according to an agreed timeline. Staff responsible for financial reporting will receive training on GASB/GAAP presentation and disclosure requirements.