

Navajo County Community College District (Northland Pioneer College)

Report on Internal Control
and on Compliance

Year Ended June 30, 2022

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY 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
Navajo County 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 business-type activities and aggregate discretely presented component units of Navajo County Community College District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 and 2022-02, that we consider to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 28, 2022



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Financial statement findings

2022-01

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—The District's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the District-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems.

Effect—The District's administration and IT management may put the District's operations and IT systems and data at unintended and unnecessary risk.

Cause—The District developed and documented risk assessment policies and procedures in May 2021. However, the District reported it did not prioritize implementing these policies and procedures to manage, assess, and respond to IT risks during the fiscal year because of limited staff.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the District to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the District's administration and IT management. The risk assessment should determine the risks the District faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the District might be subjected. To help ensure the District's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the District should analyze the identified risk and develop a plan to respond within the context of the District's defined objectives and risk tolerances.

Recommendations—The District should:

1. Prioritize implementing its policies and procedures to manage, assess, and respond to IT risk assessments.
2. Perform and document an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. 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.

This finding is similar to prior-year finding 2021-01.

2022-02

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

Condition—The District's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. Specifically, the District's procedures for restricting access did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

Effect—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

Cause—The District reported it did not prioritize developing a process to monitor all IT policies and procedures to ensure they were being consistently followed and effective for restricting access because of limited staff.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the District to protect its IT systems and ensure the integrity and accuracy of the data it maintains. This includes restricting access through logical controls to help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

Recommendations—The District should:

1. Prioritize developing a process to monitor all IT policies and procedures to ensure they are consistently followed and are effective for restricting access.
2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
3. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
4. Enhance authentication requirements for IT systems.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. 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.

This finding is similar to prior-year finding 2021-02.

DISTRICT RESPONSE



February 13, 2023

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,

Maderia J. Ellison
Vice President for Administrative Services/CFO

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2022

Financial statement findings

2022-01

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems at unintended and unnecessary risk.

Maderia Ellison, Vice President for Administrative Services/CFO
Leslie Dye, Director of IT Infrastructure and Operations
Anticipated completion date: December 31, 2023

Corrective Action Plan:

The District has been made aware of the issues related to risk-assessment process and concurs with the finding and recommendations.

The District will implement its entity-wide risk-assessment procedures that includes District Administration and IT management to develop an appropriate risk response that defines objectives to identify risks, define risk tolerance, identify, analyze and respond to identified risk; specifically, it will evaluate and identify risk scenarios, including likelihood and magnitude; document and disseminate results, review, and prioritize for mitigation.

2022-02

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data.

Michael Anthony Jacob, Database Administrator
Anticipated completion date: June 30, 2023

Corrective Action Plan:

The District has been made aware of the issues related to existing control procedures and concurs with the finding and recommendations.

The District will make the necessary changes to improve existing access controls over information technology resources; specifically, it will:

- Prioritize the implementation of a process to monitor IT policies and procedures to evaluate and update existing controls and processes to review user access to network and systems.
- Establish a procedure and create a process to routinely compare employee access to current job responsibilities and take corrective action when needed
- Evaluate and document the use of shared accounts procedure to include revision of credentials when group members leave a shared account.
- Enhance existing password and authentication requirements to align with industry standards.

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2022

The District will make the necessary changes to improve existing security over information technology resources; specifically, it will evaluate and establish an incident response plan scenario and test cycle to ensure effective incident response measures.

