



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

**Navajo County
Community College
District**

(Northland Pioneer College)

Year Ended June 30, 2004



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

October 13, 2006

Governing Board
Navajo County Community College District
P.O. Box 610
Holbrook, AZ 86025-0610

Members of the Board:

In planning and conducting our single audit of Navajo County Community College District for the year ended June 30, 2004, we performed the following as required by *Government Auditing Standards (GAS)* and Office of Management and Budget (OMB) Circular A-133:

- Considered the District's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the District's Single Audit Reporting Package for the year ended June 30, 2004. In addition, our audit disclosed an internal control weakness and instance of noncompliance with laws and regulations that did not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is described below.

The District should strengthen controls over its bank accounts

Since cash can be easily stolen or misused, it is essential that the District have effective controls over its bank accounts, including preparing complete and accurate bank reconciliations in a timely manner. However, the District did not prepare monthly bank reconciliations in a timely manner. Auditors noted reconciliations that were not prepared for up to 3 months after month-end. In addition, the reconciliations were inaccurate and were not reviewed and approved. Further, checks totaling almost \$37,000 were outstanding for more than 5 years.

To help strengthen controls over bank accounts, the District should institute the following procedures:

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Navajo County Community College District
October 13, 2006
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- Prepare complete, accurate, and timely monthly bank reconciliations for all bank accounts within 2 weeks of the end of the month. Investigate and correct all discrepancies noted.
- Require a supervisor not responsible for making deposits or issuing checks to review and approve the monthly bank reconciliations.
- Investigate all checks outstanding for more than 6 months. After investigating, determine whether to void the check and add the check amount back to the checkbook balance, or reissue the check. In addition, the District should file the required abandoned property reports for checks outstanding for more than 5 years, with the Arizona Department of Revenue in accordance with Arizona Revised Statutes §44-307.

This letter is intended solely for the information of the Navajo County Community College District Governing Board and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director



Northland Pioneer College

Debbie Davenport
Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

The following is Navajo County Community College District's response to the findings reported in the management letter related to the single audit for the year ended June 30, 2004.

The District should strengthen controls over its bank accounts.

The District will prepare complete, accurate, and timely bank reconciliations each month for all bank accounts. All reconciling items will be properly recorded and discrepancies will be investigated and corrected in a timely manner. An administrator will review and approve the monthly bank reconciliations. Outstanding checks will be investigated and a disposition determination will be made in a timely manner.

Thank you for the professional activities of your audit staff and their assistance in identifying areas of concern along with the recommendations for improvement. .

Sincerely,

V. Blaine Hatch
Vice President for Administrative Services

Navajo County Community College District
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