



## REPORT HIGHLIGHTS

### SINGLE AUDIT

#### Subject

Pinal County Community College District issues financial statements and a schedule of expenditures of federal awards annually. The District is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the District has met its responsibilities.

#### Our Conclusion

The information in the District's financial statements is fairly stated in all material respects and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. However, auditors identified internal control weaknesses and instances of noncompliance. We expressed an adverse opinion over one federal program because of material noncompliance found.



# 2010

Year Ended June 30, 2010

## Summary of Audit Findings

For the financial statement audit, auditors found internal control weaknesses over computer system access, the employee health plans' bank account, capital assets, and purchasing. For the federal compliance audit, auditors tested four federal programs under the guidelines established by the Single Audit Act and noted material internal control weaknesses and material noncompliance for the Higher Education—Institutional Aid program and a material internal control weakness for the Student Financial Assistance Cluster. The District's Single Audit Report contains further details and auditor recommendations. The most significant findings are summarized below.

### Financial Statement Findings—

#### Computer System Access

**Controls**—The District did not follow its policies and procedures to ensure that system users were granted access rights to only those functions necessary to perform their job responsibilities, and did not have policies and procedures to monitor the activities of superusers.

**Purchasing**—The District did not always follow its competitive purchasing policies when it purchased goods and services on contract. In addition, the District did not have any policies to follow when using the contracts of other governmental entities or purchasing cooperatives to procure goods and services.

### Federal Award Findings—

**Higher Education—Institutional Aid, 2010 total expenditures \$1.3 million**—The District paid over \$231,000 in program monies to contractors for construction projects without ensuring that the contractors paid prevailing wages to employees for the work performed.

Additionally, the District paid contractors over \$529,000 for goods and services using programs monies, but did not always follow proper competitive purchasing procedures or ensure that contractors were not suspended or debarred from doing business with the federal government before awarding contracts. Finally, one of the District's annual performance reports was overstated by over \$144,000 because of various errors. As a result, auditors issued an adverse opinion on the program because of material noncompliance with the program's requirements related to the Davis-Bacon Act, procurement and suspension and debarment, and reporting.

#### Student Financial Assistance Cluster, 2010 total expenditures \$18.6 million

—The District did not restrict access to its student financial aid system to only those employees who needed access to perform their job responsibilities. As a result, numerous employees had unnecessary and inappropriate access to the system.

# Summary of Financial Information

The basic financial statements report the District's finances in a manner similar to private sector higher education institutions.

**Statement of Net Assets**—This statement reports all of the District's assets, liabilities, and net assets using the accrual basis of accounting. 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 land, buildings, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

**Statement of Revenues, Expenses, and Changes in Net Assets**—This statement shows how net assets changed during the year. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current-year operations. The District's net assets increased by \$13.7 million during the fiscal year.

**Schedule of Expenditures of Federal Awards**—The District's expenses included \$22.5 million in federal awards expended. The District's federal award expenditures increased by \$8.2 million, or 57 percent, compared to fiscal year 2009. During fiscal year 2010, the District received American Recovery and Reinvestment Act (ARRA) monies from the U.S. Department of Education and the State of Arizona to provide financial assistance to students and to help offset shortfalls in state funding for higher education, respectively.

Condensed Statement of Net Assets June 30, 2010 (In Thousands)	
<b>Assets:</b>	
Current	\$ 63,293
Noncurrent, other than capital	42,058
Capital	42,617
Total assets	147,968
<b>Liabilities:</b>	
Current	8,709
Noncurrent	58,519
Total liabilities	67,228
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	20,365
Restricted	2,680
Unrestricted	57,695
Total net assets	\$ 80,740

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2010 (In Thousands)	
<b>Operating revenues:</b>	
Tuition and fees	\$ 5,341
Other	884
Total operating revenues	6,225
<b>Operating expenses:</b>	
Educational and general	51,902
Auxiliary enterprises	1,012
Depreciation	3,440
Total operating expenses	56,354
Operating loss	(50,129)
<b>Nonoperating revenues and expenses:</b>	
Property taxes	43,455
State appropriations	4,935
Grants and contracts	16,123
Other	2,031
Interest expense	(2,771)
Net nonoperating revenues	63,773
Capital gifts and grants	34
Increase in net assets	13,678
Net assets—July 1, 2009	67,062
Net assets—June 30, 2010	\$ 80,740

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2010 (In Thousands)	
U.S. Department of Education	\$21,502
U.S. Department of Labor	786
U.S. Department of Housing and Urban Development	147
U.S. Small Business Administration	65
Other	34
Total federal expenditures	\$22,534

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[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2010