



## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AUDIT

### Our Conclusion

The University of Arizona is responsible for preparing annual financial statements, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the University's financial statements annually. Since the University is a component of the State of Arizona, the information in its financial statements will also be incorporated in the State of Arizona's Comprehensive Annual Financial Report. A summary of the University's financial statements is presented to the right.

Based on our audit, we issued a report that included our opinion on the University's financial statements and a report on its internal control and compliance. The information in the University's fiscal year 2012 financial statements is reliable. Our report on internal control and compliance identified a deficiency in internal control that the University should correct to ensure that it fulfills its responsibility to maintain effective internal controls. This deficiency is summarized on the next page.



2012

Year Ended June 30, 2012

## Condensed financial information

**Statement of net assets**—This statement reports all assets, liabilities, and net assets. 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 property, plant, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and external entities.
- **Unrestricted**—shows the resources available for general operations.

**Statement of revenues, expenses, and changes in net assets**—This statement reports all revenues, expenses, and other changes to net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. Net assets increased by \$57 million, or 5 percent, in the current fiscal year as compared to an increase of \$95 million, or 10 percent, in fiscal year 2011 and an increase of \$93 million, or 11 percent, in fiscal year 2010.

### Condensed statement of net assets As of June 30, 2012 (In millions)

<b>Assets</b>	
Cash and investments	\$ 613
Capital assets, net of depreciation	1,637
Receivables	223
Other assets	32
Total assets	<u>2,505</u>
<b>Liabilities</b>	
Long-term debt	1,178
Other liabilities	201
Total liabilities	<u>1,379</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	579
Restricted	237
Unrestricted	310
Total net assets	<u>\$1,126</u>

### Condensed statement of revenues, expenses, and changes in net assets For the year ended June 30, 2012 (In millions)

<b>Operating revenues</b>	
Tuition and fees	\$ 410
Grants and contracts	481
Auxiliary enterprises	171
Other operating revenues	62
Total operating revenues	<u>1,124</u>
<b>Operating expenses</b>	
Educational and general	1,327
Auxiliary enterprises	149
Depreciation	107
Total operating expenses	<u>1,583</u>
Operating loss	(459)
<b>Nonoperating revenues and expenses</b>	
State appropriations	269
Grants and other appropriations	83
Other nonoperating, net	103
Net nonoperating revenues	<u>455</u>
<b>Capital and endowment additions</b>	61
Increase in net assets	57
Net assets—beginning	<u>1,069</u>
Net assets—ending	<u>\$1,126</u>

## Summary of audit findings and recommendations

During the University's financial statement audit, we found an internal control weakness over the University's general ledger information system. Our Report on Internal Control and Compliance over financial reporting includes a Schedule of Findings and Recommendations that contains further details to help the University correct the deficiency summarized below.

### Inadequate access controls over the general ledger information system

The University should have effective access controls over its general ledger system to help prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information. However, the University did not have a comprehensive process in place to centrally monitor and review user roles, groups, and permissions. Consequently, numerous users had the ability to initiate and approve their own fiscal year-end closing entries and other financial statement adjustments, and the University did not always remove system access immediately after employees terminated.

#### Recommendations

The University of Arizona should:

- Develop a comprehensive process for reviewing user roles, groups, and permissions to help ensure that the appropriate level of system access is granted and communicate this review process to the departments responsible for decentralized access controls.
- Perform a comprehensive review of all existing system users annually to help ensure that access granted is compatible with their job responsibilities.
- Improve communication among university departments to ensure that system access is immediately removed for terminated employees.
- Proactively monitor system access logs for unusual or suspicious activity.
- Establish logging techniques, proactive monitoring, or other triggers for direct changes to the database and investigate and resolve them.