

Pima County Community College District

Report on Internal Control
and on Compliance

Year Ended June 30, 2023

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division

Taryn Stangle, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



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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
Pima 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 discretely presented component unit of Pima County Community College District as of and for the year ended June 30, 2023, 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 18, 2023. Our report includes a reference to other auditors who audited the financial statements of the Pima Community College Foundation, Inc., the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements 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 Foundation.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2023-02, that we consider 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and recommendations as item 2023-01.

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 18, 2023



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Financial statement findings

2023-01

The District paid \$19,680 for food and beverages and entertainment at various events, including 2 team building events, using purchasing cards without complying with policies and procedures and/or documenting how these purchases were necessary to serve a public purpose and to benefit the District and its constituents, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Condition—The District paid for \$19,680 of purchasing card purchases using public monies for food and beverages and entertainment at various events, including 2 team building events, without complying with its policies and procedures and/or documenting how these purchases were necessary to serve a public purpose. Specifically, for 13 of 33 purchasing card purchases we tested, the District paid for food and nonalcoholic beverages and entertainment costs using public monies without documenting the public purpose, including the reasonability of costs per the estimated number of attendees or event type, and without obtaining approval, as required by District policy, for 10 of these 13 purchasing card purchases, as follows:

- \$4,993 for food and nonalcoholic beverages for a farewell reception for a senior-level administrator open to staff, students, and the public.
- \$4,855 for food and nonalcoholic beverages for a graduation ceremony luncheon as part of the District's Voices on the Economy Center ribbon-cutting ceremony, without required written approval.
- \$4,463 for food and nonalcoholic beverages for District staff working an all-day student orientation, composed of 5 purchasing card purchases, without required written approval.
- \$2,858 for food and nonalcoholic beverages and entertainment costs for 2 team-building events at Top Golf and Main Event, composed of 4 purchasing card purchases, without advance written approval by the executive vice chancellor for finance and administration, provost, or chancellor, as required for exceptions to policy. Specifically, the District paid \$558 for golf and \$1,249 for food and nonalcoholic beverages at Top Golf for 33 employees, or nearly \$55 per attendee. Further, the District paid \$1,051 for food and nonalcoholic beverages and entertainment costs, such as video games and laser tag, at Main Event for 34 employees, or nearly \$31 per attendee.
- \$1,546 for food and nonalcoholic beverages for a College Made in Arizona Tour meeting with 39 planned attendees, or nearly \$40 per attendee.
- \$965 for food and nonalcoholic beverages for the new District vice president's meet-and-greet event.

Effect—The District put public monies at risk of abuse, misuse, and fraud and may have misspent \$19,680 of public monies in violation of the Arizona Constitution. Further, when public monies are misspent or misused, fewer monies are available for uses that benefit the District and its constituents.

Cause—The District implemented new guidelines for using public monies for food and beverage and entertainment at various events on July 1, 2022, without training employees on new requirements, such as

obtaining required approvals prior to making purchases, and its new policies lacked detail to help prevent fraud, waste, and abuse of public monies.¹ Specifically, the policies did not require documentation or explanation of the public purpose they served, specify how much was allowed to be spent per person or the maximum amounts that may be spent on each type of activity or event, or require documentation to support the reasonability of costs or address the allowability of team-building activities.

Criteria—State law bans gifts of public monies by districts to individuals and organizations (Arizona Constitution, Art. IX, Sec. 7). Consequently, if the District determines that it is appropriate to purchase food and beverages and entertainment at various events using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the District. Accordingly, the District's policies and procedures provide its employees guidance on allowable purchasing card uses and require cardholders to obtain approval prior to purchasing food and beverage and entertainment costs for events.¹ Specifically, for events outlined in the policies, cardholders are required to obtain authorization by an administrator or designee. For exceptions to the policies, cardholders must obtain advance approval by the executive vice chancellor for finance and administration, provost, or chancellor. The events allowed by policies include:

- Farewell receptions for employees who served the District more than 1 year.
- Events or receptions recognizing and/or appreciating volunteer, student, or employee accomplishments or achievements completed in support of or on behalf of the College (e.g., award or recognition ceremonies).
- All-day events, including campus or department meetings, planning sessions, functions, or professional development activities.
- Onsite or offsite meetings with employees, students, external colleagues, or members of the community including meetings of task forces, teams, workgroups, or committees (e.g., Governing Board Committees).
- Occasional department functions for employees (e.g., a year-end staff lunch or holiday season lunch).

Recommendations—The District should:

1. Ensure purchasing cardholders and designated authorizers follow District policies and procedures that require use of purchasing cards only for authorized purposes necessary for official District business and that benefit the District and its constituents. If the District determines that it is appropriate to purchase food and beverages and entertainment costs for events using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the District and its constituents.
2. Ensure purchasing cardholders follow District policies and procedures that require obtaining approval prior to purchasing food and beverages and entertainment costs for events. Specifically, designated authorizers must authorize costs for events outlined in District policies and procedures, and the executive vice chancellor for finance and administration, provost, or chancellor must approve exceptions to the policies, such as team-building events.
3. Improve its purchasing policies and procedures, and train District employees and authorizers on these revised policies and procedures, to:
 - a. Require documentation to support the public purpose and benefit of expenses for food and beverages and entertainment, and the events for which they were purchased.
 - b. Specify and define how much is allowed to be spent per person or the maximum amounts that may be spent on each type of activity or event.
 - c. Address the allowability of team-building activities.

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.

¹ Pima Community College's-Executive Leadership-approved guidelines, effective July 1, 2022, to provide its employee purchasing cardholders and authorizers, who are responsible for reviewing and approving purchasing card expenses, guidance on allowable purchasing card uses of public monies for food, refreshments, awards, room rentals, decorations, and supplies (Pima County Community College District. [2022, July]. *Business Relations Expense Guidelines*. Tucson, AZ.). These guidelines are to be used in conjunction with its existing procurement card manual (Pima County Community College District [2016, May]. *Procurement Cards Policies and Procedures Manual*. Tucson, AZ.).

2023-02

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 for restricting access were not sufficiently implemented to consistently help prevent or detect unauthorized or inappropriate access to its information technology (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's administration and IT management reported that they had to customize an existing solution to further restrict access but were unable to fully implement the customization before fiscal year end.

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 as it seeks to achieve its financial reporting, compliance, and operational objectives.² Effective internal controls include 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. Make it a priority to complete the customization over restricting access to its IT systems.
2. 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.

² The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act's "Safeguards Rule" requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.

DISTRICT RESPONSE



PimaCountyCommunityCollegeDistrict

District Office

Office of the Executive Vice Chancellor
for Finance and Administration
4905D East Broadway Boulevard
Tucson, Arizona 85709-1200
Telephone (520) 206-4519
Fax (520) 206-4516
www.pima.edu

February 15, 2024

Lindsey Perry
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* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 black ink, appearing to read "D. Bea".

David Bea, Ph.D.
Executive Vice Chancellor for Finance and Administration

Pima County Community College District
Corrective Action Plan
Year Ended June 30, 2023

Financial Statement Findings

Finding Number: 2023-01

The District paid \$19,680 for food and beverages and entertainment at various events, including 2 team building events, using purchasing cards without complying with policies and procedures and/or documenting how these purchases were necessary to serve a public purpose and to benefit the District and its constituents, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution.

Contact Person: Kevin Startt, Acting Director, Procurement and Payment Services

Anticipated Completion Date: December 31, 2024

Corrective Action:

The College will revise the current *Business Relations Expense Guidelines*, create a new purchase authorization form for food-related purchases, develop training for Procurement Card holders and update training for Travel & Entertainment Card holders, and review and revise applicable Standard Operating Procedures as needed.

Action Steps and Timeframe:

- Revise the *Business Relations Expense Guidelines* to better clarify the appropriate use of these funds, including spending limits, restrictions, public purpose, and documentation. Anticipated completion date is June 30, 2024.
- Create a purchase authorization form that will be required for all non-instructional food-related purchases. The form will address public purpose, cost, and approvals and will be attached to the respective expense report. Anticipated completion date is June 30, 2024.
- Institute a training requirement for all Procurement and Travel & Entertainment Card holders. Anticipated completion date is June 30, 2024.
- Revise the Purchasing Card Manual to include additional information about appropriate documentation and approval requirements. Anticipated completion date is December 31, 2024.

Finding Number: 2023-02

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.

Contact Person: Isaac Abbs, Assistant Vice Chancellor of IT and CIO

Anticipated Completion Date: April 30, 2024

Corrective Action:

The College is in the process of implementing the necessary changes to comply with this finding. Testing on the proof of concept has been completed, with full-scale implementation expected to follow.

Action Steps and Timeframe:

- Determine the implementation plan. Anticipated completion date is April 30 2024.
- Implement the solution on the remaining non-compliant systems. Anticipated completion date is April 30, 2024.

