



Board of Governors Finance and Audit Committee
Meeting Notice and Agenda*
Friday, January 20, 2017
9:00am
District Office, D225

General Matters

1. Call to Order

Notice to Conduct Executive Session*

The Finance and Audit Committee may convene the following executive session:

A.R.S. §38-431.03(A)(3) — Discussion or consultation for legal advice from the College’s legal counsel.

- Discussion of materials and information related to security.

A.R.S. §38-431.03(A)(2) – Discussion or consideration of records exempt from public inspection.

- Discussion of materials and information related to security.

Action Items

2. Approval of Minutes from November 18, 2016

Reports and Feedback

3. Internal Audit (Lori Cox)
 - a. Revised Charter
 - b. Reports (Access & Disability Resources; Athletics)
4. Investment Update (Catherine Banat and John Utter from RBC, by phone)
5. [Comprehensive Annual Financial Report](#) (Terry Quest & Ina Lancaster)
6. CFO Update (David Bea)
 - a. Budget Update – [Scenario Planning](#)
 - b. Legislative Update
 - c. [Financial Metrics](#)

Effectiveness Discussion

Information Items

7. Future Agenda Items
 - a. KPIs/Strategic Plan
 - b. Financial Aid Update
 - c. Enrollment Update
 - d. Health Plan Self-Insurance
 - e. PCC Foundation Update
 - f. Update on Local Employers
 - g. Competency-Based Education

Adjournment

Next Meeting

February 17, 2017

District Office, D225

***Option to recess into executive session** – Pursuant to A.R.S. 38-431.03(A)(2) the Committee may vote to go into executive session for discussion or consideration of records exempt by law from public inspection, including the receipt and discussion of information or testimony that is specifically required to be maintained as confidential by state or federal law.

****Additional Information** – Additional information about the above agenda items is available for review on the College's [website](#).

****The Committee reserves the right to change the order of agenda items.**

****To request a reasonable accommodation for individuals with disabilities, a minimum of five (5) business days before the event is requested. Contact Phone: (520) 206-4539 Fax: (520) 206-4567.**

Members of the Committee may participate by telephone, video, or internet conferencing.



Board of Governors Finance and Audit Committee

Friday, November 18, 2016

9:00am-11:30am

District Office, D225

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Marie Nemerguth, Sylvia Lee (Co-Chair), Ina Lancaster (Ex-Officio), Terry Quest (Ex-Officio), David Ortega, Jesus Manzanedo, Adrienne Regrutto

Unable to Attend:

Demion Clinco, Scott Odom, Clarence Vatne, Bert Landau

Guests:

Kate Schmidt

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:20am.

Action Items

2. Approval of Minutes from September 16, 2016 and review of Summary Notes from October 21, 2016

Chair Nuckolls asked the attendees if there were any comments regarding the draft minutes from the previous meetings. The members in attendance did not have any additional comments regarding the minutes.

3. Investment Subcommittee Update

Ms. Regrutto provided an update on the Draft Investment Guidelines, noting areas where changes were made and seeking input from attendees on those revisions.

Dr. David Bea described the system for College policies and procedures, defining the difference between Board Policies, Administrative Procedures, and Standard Operating Procedures. The recommended changes will be made and the Committee's directive was to begin developing the College's policies and administrative procedures using the Investment Guidelines as a foundation.

2nd: David Ortega, Motion carried

4. Finance and Audit Committee Charter

Chair Nuckolls noted the length of terms was changed and posted on the website. The change was not made in one other area of the website, but will be updated to reflect the appropriate terms. The

website will also indicate Adrienne Regrutto as Chair-Elect. Chair Nuckolls also asked Dr. Bea to determine and track each member's service dates.

Attendees were also asked to review the Role in College Investment Activities document over the holidays to determine if anything more needs to be prepared to vote on this item at the next meeting.

5. Proposed IGA with Pima County for FTZ Application

Dr. Bea provided an overview of Foreign Trade Zones (FTZ) and the method by which companies receive FTZ status. Monsanto Company plans to submit an application for FTZ subzone status through Sun Corridor, Inc., and, as part of this process, has asked PCC to provide a letter of no objection in exchange for a Payment in Lieu of Taxes (PILOT). The PILOT agreement would hold the College harmless from the loss in tax revenue since Monsanto, if awarded FTZ status, would receive a lower tax valuation rate.

At their November 16, 2016 meeting, the College's Governing Board voted not to proceed with the letter, and the Finance and Audit Committee discussed the implications of this decision. The Committee recommends the Board reconsider providing a letter of no objection to the Monsanto FTZ.

6. Educational Master Plan

Kate Schmidt provided an overview of the College's draft Educational Master Plan. She outlined the top recommendations, which include Centers of Excellence and Program Pathways, and noted the College's recent effort to get feedback from internal and external constituencies. Ms. Schmidt also stated that the College will develop an operational plan for implementing the recommendations after reviewing the feedback.

Information Items

7. Future Agenda Items

- a. Educational Master Plan
- b. KPIs/Strategic Plan
- c. Financial Aid Update
- d. Enrollment Update
- e. Health Plan Self-Insurance
- f. PCC Foundation Update
- g. Update on Local Employers
- h. Competency-Based Education

Adjournment

The meeting concluded at 11:37am.

Next Meeting:

January 20, 2017

District Office, D225



Pima County Community College District Administrative Procedure

AP Title:

Internal Audits

AP Number:

AP 7.01.01

Adoption Date:

9/14/95

Schedule for Review & Update:

Every three years

Review Date(s):

7/2/03, 3/15/07, 1/27/12, 4/18/16, 1/13/17

Revision Date(s):

7/2/03, 3/15/07, 1/27/12, 1/13/17

Sponsoring Unit/Department:

Director of Internal Audit

Board Policy Title & No.:

Internal Audits, BP 7.01

Legal Reference:

Cross Reference:

The Office of the Internal Auditor (Internal Audit) is an independent, objective, assurance and consulting activity designed to add value and improve the operations of Pima Community College (PCC). Internal Audit helps PCC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and help to improve the effectiveness of risk management, control, and governance processes.

PURPOSE

Internal Audit is an internal resource serving PCC employees, management, the Chancellor, and ~~the Board of Governors~~ Governing Board, and the Finance and Audit Committee. Internal Audit assists PCC with fulfilling its vision, values, mission, and goals. While practicing stringent regard for safekeeping and confidentiality of information received, Internal Audit will furnish analysis, appraisal, recommendations, advice, and information concerning the activities reviewed. Internal Audit is concerned with any phase of PCC activity where the department can be a service to management, faculty, and staff.

SECTION 1: Mission

Guided by a philosophy of adding value, the mission of Internal Audit is to enhance and protect organizational value by providing independent, objective, and risk-based assurance, advice, and insight regarding assessments of PCC's system of internal control and underlying business processes, while embodying the commitment of improvement and betterment of the college, its students, and the community.

SECTION 2: Objectives

In addressing its mission, the primary objectives of Internal Audit are to support and assist employees, management, the Chancellor, and the Governing Board, and the Finance and Audit Committee Board of Governors in the effective discharge of their responsibilities by providing analyses, testing, recommendations, advice, and information concerning:

- The adequacy and effectiveness of the PCC's internal control structure;
- The safeguarding of assets;
- Compliance with applicable laws and regulations;
- Achievement of management's operational objectives; and
- Effective business processes to achieve internal control at a reasonable cost.

SECTION 3: Scope of Work

The scope of Internal Audit's responsibilities encompasses all systems, processes, operations, functions, and activities of PCC. In assessing the adequacy and effectiveness of PCC's governance, internal control structure, risk management processes, and performance in carrying out assigned responsibilities to achieve PCC's stated goals, Internal Audit will:

- Assist with maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement;
- Assess financial and operating information and the methods used to initiate, authorize, record, process, and report such information to validate the reliability and integrity of the process;
- Review policies, plans, procedures, laws, and regulations that could have a significant impact on the processes subject to audit to determine whether PCC is in overall compliance;
- Review the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices;
- Evaluate the economy and efficiency with which processes are implemented and performed, and resources are utilized; and
- Review operations and programs to ascertain whether results are consistent

with established objectives.

SECTION 4: Definitions

Assurance

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, operational, and system security engagements (audits).

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Core Principles for the Professional Practice of Internal Auditing

The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Independence

The freedom from conditions that threaten the ability of the internal audit activity to

carry out internal audit responsibilities in an unbiased manner.

Recommendation

Actions Internal Audit recommends be taken to correct the audit issue. The audit recommendation is designed to help the department achieve its goals and address the issue's root cause.

SECTION 5: Organization, Independence, Authority

The Director of Internal Audit (Internal Auditor) shall report directly to the Chancellor, or his/her designee, and shall have direct access to the Chancellor, ~~and the Board of Governors~~Governing Board, and the Finance and Audit Committee should matters of immediate importance arise that require their attention. The results of audit activities shall be reported to the audit client, the Chancellor, and the Board of Governors~~Governing Board, and the Finance and Audit Committee.~~ The Internal Auditor shall remain independent and objective with the ability to report directly to the ~~Board of Governors~~Governing Board or the Finance and Audit Committee any situation where the auditor perceives a conflict of interest with, or on the part of, the Chancellor's involvement with the subject of an audit. In addition, Internal Audit shall have the ability to report directly to outside legal counsel or an applicable state agency any situation where the auditor perceives a conflict of interest with, or on the part of, the ~~Board of Governors~~Governing Board or Finance and Audit Committee involvement with the subject of an audit.

Consistent with applicable laws, Internal Audit will have full, free, and unrestricted access to all activities, records ~~(in both paper and electronic format)~~, property, and personnel necessary to accomplish the stated purpose. Internal Audit respects the value and ownership of information; information received will not be disclosed without appropriate authority unless there is a legal or professional obligation to do so.

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, Internal Audit will be independent of the activities it audits. Internal Audit will not have direct responsibility for, or authority over, any of the systems, procedures, or activities reviewed. Independence requires that Internal Audit complete work freely and objectively, in a fair and balanced manner, and not be overly influenced by personal interest or the opinion of others. The Internal Auditor may take an advisory role in the formation of policy and procedures and is

not precluded from proactive involvement with management in planning processes, committees, or special assignments approved by the Chancellor or ~~Board of Governors~~the Governing Board.

If Internal Audit lacks the knowledge, skills, competencies, or resources to perform all or part of the audit, or perform the audit within the time constraints necessary, or believes it is in the best interest of the College, the Internal Auditor shall present a recommendation to the Chancellor to contract with an outside party as appropriate and practical.

To best fulfill the mission and effectively utilize resources, Internal Audit should be advised of all external audits from firms and Federal or State agencies that are performing audits on PCC.

SECTION 6: Professional Standards

Internal Audit shall serve PCC, and conduct its work, in a manner consistent with the Institute of Internal Auditors' (IIA) mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Audit*. In addition, Internal Audit will adhere to IIA ~~implementation and supplemental guidance practice advisories, practice guides, and position papers~~ as applicable to guide operations. Further, Internal Audit will uphold the principles of integrity, objectivity, confidentiality, and competency – as defined the IIA's Code of Ethics – and adhere to relevant State and Federal law and PCC policies, procedures, and standards.

SECTION 78: Accountability and Responsibility

Internal Audit will:

- Develop an annual risk-based audit plan that is reviewed by the Finance and Audit Committee and approved by the Chancellor and ~~Board of Governors~~Governing Board;
- Provide management, the Chancellor, ~~and the Board of Governors~~Governing Board, and the Finance and Audit Committee (as necessary) with a written report on the results of each engagement performed, including management action taken or planned to address issues and concerns noted during the engagement, and the results of follow-up reviews to assess if issues and concerns noted during the engagement have been addressed;

- Coordinate audit efforts with independent or external auditors as well as any examinations performed by regulatory agencies;
- Assess whether PCC's risk management processes are effective and relevant risk information is communicated timely across PCC enabling staff, management, ~~and the Board of Governors~~Governing Board, and the Finance and Audit Committee to effectively carry out responsibilities.
- Evaluate the potential for the occurrence of fraud and how PCC manages fraud risks, and assist in the investigation of fraud (if appropriate);
- Evaluate the design, implementation, and effectiveness of PCC's ethics related objectives, programs, and activities;
- Conduct special projects or studies as requested by the Chancellor, ~~or Board of Governors~~the Governing Board, or the Finance and Audit Committee; and
- Meet with the Chancellor at least monthly, and ~~Board of Governors~~Governing Board or the Finance and Audit Committee at least ~~semi-annually~~quarterly, to discuss the audit activities and results, to identify significant departures from the approved audit plan and reasons, and to discuss emerging trends and best practices in internal auditing.



Intercollegiate Athletics Follow-Up Audit Final Report

December 2, 2016

DISTRIBUTION:

Lee Lambert, Chancellor

Board of Governors

Finance and Audit Committee

Jeff Silvyn, General Counsel

Morgan Phillips, President, Desert Vista and West Campus

Ann Parker, Vice President of Student Development, West Campus

Edgar Soto, Dean of Athletics, Fitness and Wellness

Yolanda Espinoza, Director and Registrar, Admissions and Records

Rachel Shaming, Interim Executive Director, PCC Foundation

Completed By:
Lori Cox, Director, Internal Audit
Kurt Weirich, Senior Auditor



EXECUTIVE SUMMARY

The Office of the Internal Auditor (Internal Audit) has completed an Intercollegiate Athletics follow-up audit. The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that Internal Audit follow-up regarding the disposition of management's actions to address risks identified and communicate the results of the audit engagement.

The purpose of this follow-up audit is to determine if the findings identified in the November 2015 audit were addressed and to communicate the implementation status of Management's Corrective Action Plans. An audit of Athletics was completed in January 2012, the November 2015 audit included follow-up of 2012 issues as well as new audit steps and areas. We express our appreciation to the Intercollegiate Athletics administration and staff, Office of the Registrar administration and staff, West Campus Business Office management, and PCC Foundation staff for their time and cooperation during this follow-up audit.

SIGNIFICANT CONDITIONS

- Athletic donations internal control weaknesses continue to exist, including segregation of financial duties and significant delays in depositing donation checks.
- NJCAA compliance violations occurred during the spring 2016 semester due to coaches not following NJCAA procedures placing the College at reputation risk and potential forfeiture of NJCAA athletic event wins.
- Game receipt cash handling controls are not fully implemented resulting in delays in depositing game day funds and unidentified cash found in the Athletics cash safe.
- Archived student-athlete records going back for decades were found to be accessible to unauthorized individuals placing former students at risk for identity theft. Also, the College is in non-compliance with College and state records retention requirements.

CONCLUSION

Overall, Internal Audit found that significant internal control weaknesses continue to exist within Intercollegiate Athletics. In addition, there was little evidence of a strong compliance culture within the Athletics organization. Developing a strong culture of compliance will take substantial efforts by Athletics management and staff, and input and oversight by senior administration to improve current practices, compliance and audit results.

Athletics management did not begin implementation of critical elements of their Management Corrective Action Plans or contact other key departments involved in their Corrective Action Plans until after the follow-up audit began, resulting in delays and increased risk to the College.

Much work remains to remediate the open Athletic issues. It is important that senior management periodically monitors and evaluates how progress is being made to improve the effectiveness of the Athletics organization overall.

DETAILED RESULTS

FOLLOW-UP AUDIT SCOPE AND METHODOLOGY

To determine if the findings in the November 2015 audit were addressed and assess the implementation status of Management's Corrective Action Plans Internal Audit:

- interviewed applicable Intercollegiate Athletics staff and administration,
- reviewed timeliness of Intercollegiate Athletics donations deposits,
- observed Athletics cash handling practices,
- reviewed student-athlete NJCAA record retention practices,
- examined Intercollegiate Athletics documents and procedures,
- interviewed PCC Foundation management and staff,
- reviewed PCC Foundation Athletics donation reports and documentation, and
- reviewed student-athlete files for National Junior College Athletic Association (NJCAA) eligibility compliance and required documentation.

OVERVIEW

The conditions that represent the most significant risks to the College are detailed below. These areas are Athletics donations, NJCAA compliance, game receipts cash handling, and NJCAA student-athlete historic records.

➤ *Athletics Donations*

The Dean of Athletics did not transfer the Athletics donations processes to the PCC Foundation as originally planned, resulting in continued delays in depositing Athletics donor's checks and segregation of financial duties issues. Delays in depositing Athletics donation checks were as follows (repeat finding):

- Eight of 68 (11.8%) Athletics donation deposits reviewed were delayed 30 days or longer.
- One donor's check from December 2015 was deposited 88 days late.
- An Athletics donor's \$100 check for a men's basketball donation (dated February 1, 2014) was discovered in the Athletics safe during the audit.

➤ *National Junior College Athletic Association (NJCAA) Compliance*

Two different athletics coaches did not fully follow College NJCAA procedures during the spring 2016 semester resulting in student-athletes participating in athletic games in which they were not eligible. Two separate NJCAA compliance violations were self-reported by Athletics to the NJCAA for these instances (Women's Golf and Women's Track and Field). In these two instances individual athletic points earned in the contests by the student-athletes were nullified by the NJCAA and letters of forfeiture sent to the host and Region 1 Women's Director. These issues could potentially be damaging to the College's reputation and negatively impact student-athlete morale, particularly if the athletes had won their individual events. NJCAA compliance violation details are as follows:

- One women's track and field student-athlete was not enrolled full-time in classes by the 15th calendar day of the semester and participated in three (3) athletic events during January 2016 and March 2016. This violation was discovered by the Eligibility Specialist during a conversation with the coach.
- One women's golf student athlete was not submitted electronically confirming her eligibility to the NJCAA prior to participation in a golf tournament February 2nd and 3rd, 2016. This

violation was discovered by the Eligibility Specialist when the coach returned the signed eligibility roster after the event and asked why the student-athlete was not listed.

- In addition, it was determined that neither of the two coaches utilized the Eligibility Tracker (a shared Google Sheet) routinely to monitor the eligibility status of individual student-athletes, and did not obtain student-athlete signatures on the NJCAA Eligibility Roster provided to them prior to allowing student-athletes to enter competition.

➤ *Game Receipts - Cash Handling*

Significant issues still exist with game receipt cash handling controls. Items noted include:

- Two Athletics game cash receipts deposits were not processed within three business days per cash handling procedures, rather it was nine and six days respectively.
- Management had a small dollar amount of unidentified cash secured in the Athletics cash safe during an onsite review by Internal Audit that Athletics management and staff were not able to determine what the cash was for or the length of time the cash was in the safe.
- Numerous non-business related items were stored in the Athletics cash safe, e.g. an employee's passport, etc.

➤ *Student- Athlete NJCAA Records*

Twenty-one boxes of archived student-athlete NJCAA eligibility records and nine large file drawers of student records were found in the West Campus Gym during the audit to be accessible to unauthorized individuals, resulting in increased risk of misuse of student-athlete information. The dates of the historic records go back for decades and include athletic records of former student-athletes. Current active student-athlete records are properly secured in the Registrar's Office at District Office. In addition, it was determined that an NJCAA student-athlete records disposal plan does not exist.

SUPPLEMENTAL INFORMATION

➤ **PCC Foundation – Athletics Donation Processes**

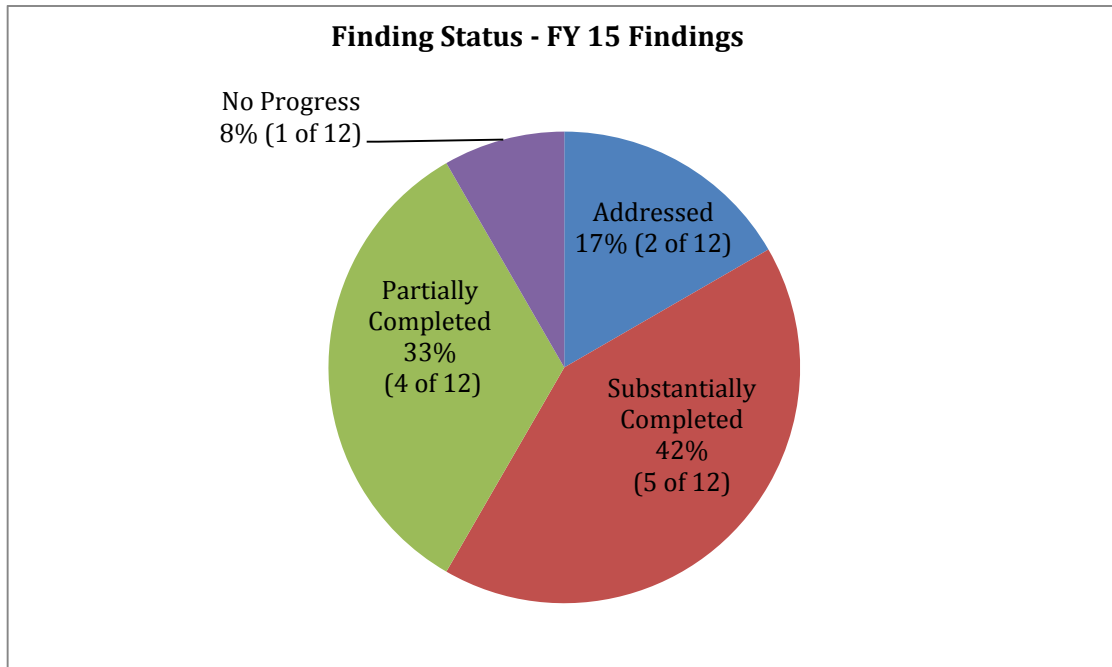
Subsequent to completion of the follow-up audit the PCC Foundation initiated meetings with the PCC Foundation external auditor, Internal Audit, West Campus Business Office management and staff, Budget Office staff, Intercollegiate Athletics Dean, President of West Campus, and PCC Foundation management and staff, to develop documented processes and procedures for Athletics donations.

➤ **Updated Management Corrective Action Plan**

Subsequent to completion of the follow-up audit the Dean of Athletics, Fitness and Wellness, and the President, Desert Vista and West Campus updated management corrective action plans to address issues identified in this report. Internal Audit will monitor implementation of the updated corrective action plan and continue to follow-up on areas not fully addressed.

STATUS SUMMARY

Athletics management has made progress on addressing audit findings with seven of twelve (58.3%) FY15 audit findings either addressed or substantially completed. Further efforts are needed particularly related to donations, cash handling and NJCAA student-athlete records. *All four of the FY12 (non-repeat) findings have been addressed.*



FOLLOW-UP AUDIT NEXT STEPS

Intercollegiate Athletics Administration should continue efforts to fully address all findings by completing all corrective action plans or identifying alternative solutions to fully address the findings. We recommend a target date no later than December 23, 2016 to address remaining issues. To facilitate an additional follow-up audit, the Intercollegiate Athletics Administration should notify Internal Audit as findings are addressed and provide the appropriate supporting audit documentation for review, as applicable. Internal Audit is available to provide assistance, guidance or to answer any questions during this process.

REPORT STRUCTURE

A description of the implementation status classifications and a legend are included below. This is followed by a summary of findings from the original audit and their overall status. Detailed charts contained in Appendix A of management's corrective action plans.

IMPLEMENTATION STATUS CLASSIFICATIONS

The implementation of each corrective action is classified into one of the following four status categories below:

Finding Status Classifications	Descriptions
Addressed	Implemented at 100% or risk/issue addressed.
Substantially Complete > 50%	Substantially complete with more than 50% completion; but less than 100%.
Partially Complete ≤ 50%	Partially complete with less than 50% completion; but more than 0%.
No Progress	No progress observed or action taken.

LEGEND

- ✓ - Current follow-up audit status.
- ❖ - Status as of November 2015 Audit.

AUDIT FINDINGS STATUS

The finding status was determined through audit test work (see methodology page 2) Specific Management Corrective Action Plans and details are included in Appendix A.

AUDIT FINDINGS STATUS SUMMARY

Audit Finding	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
FY 2015 AUDIT REPEAT FINDINGS (ALSO FINDINGS ON THE FY12 AUDIT)				
AUD.FY15-02 - Finding #1 - (Repeat Finding) - Athletics does not have adequate internal controls over the gate receipts process; and athletics' procedures and PCC cash handling processes were not followed.		✓	❖	
AUD.FY15-02 - Finding #2 - (Repeat Finding) - Student-athlete files did not contain all the required documentation to determine eligibility; 4 of 18 (22%) NJCAA submissions reviewed did not have all required supporting eligibility documentation at the time of submission.		✓	❖	
AUD.FY15-02 - Finding #3 - (Repeat Finding) - Athletics reported students to NJCAA as participating in error; for the fall 2014 semester 4 student-athletes were reported to the NJCAA as participating (the students did not actually participate).		✓ ❖		
AUD.FY15-02 - Finding #4 - (Repeat Finding) - Athletics does not adequately secure student-athlete data used to determine eligibility. <i>Note: Active files are secured. Archived student-athlete data is not secured.</i>			✓ ❖	
FY 2015 AUDIT - NEW FINDINGS				
AUD.FY15-02 - Finding #5 - Athletics donations are not processed and deposited in a timely manner.			✓	

Audit Finding	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
AUD.FY15-02 - Finding #6 – Processes for the receipt of donations and the use of fundraising dollars are not adequate.				✓
AUD.FY15-02 - Finding #7 – The athlete physical examination verification processes, and access controls for the physical examination database, are inadequate.	✓			
AUD.FY15-02 - Finding #8 – Cross-training and eligibility system access controls are inadequate.			✓	
AUD.FY15-02 - Finding #9 – Purchasing card and travel expense policy and procedures were not consistently followed.	✓			
AUD.FY15-02 - Finding #10 – Written Athletics Department procedures are not regularly developed, reviewed and approved.		✓		
AUD.FY15-02 - Finding #11 – Cross-training is incomplete for key office support staff positions.			✓	
AUD.FY15-02 - Finding #12 – Coordination of NJCAA eligibility efforts between Athletics Administration, coaches, student-athletes and eligibility support staff is weak.		✓		



Access and Disability Resources Final Report

December 16, 2016

DISTRIBUTION:

Lee Lambert, Chancellor

Board of Governors

Finance and Audit Committee

Jeff Silvyn, General Counsel

David Dore, President, Downtown and Northwest Campus

Aubrey Conover, Vice-President Northwest Campus

Completed By:
Lori Cox, Director, Internal Audit



EXECUTIVE SUMMARY

The Office of the Internal Auditor (Internal Audit) has completed a review of the Access and Disability Resources (ADR) Office; this review was undertaken at the request of the Director of the ADR Office. The objective of this review was limited to a review current processes, programs, policies, and procedures that were in place that were designed to improve accessibility at the College. Specifically, the review was designed to determine if the environment under which ADR is currently operating supports compliance with relevant sections of Title II of the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act and related guidelines of improving accessibility for students including: ADA Coordinator requirements, notice, grievance procedures, communications requirements, and training practices. We express our appreciation to the Director of ADR and the staff for the time and cooperation during this review.

BACKGROUND

ADR works to open the College's educational opportunities to the entire community, including those with disabilities, by providing support to create an environment without physical, social or academic barriers. The ADR Office is staffed with a Director and approximately 70 staff members including full time regular employees, part time temporary employees, and federal work study employees.

Title II of the ADA requires that public entities make reasonable modifications to their policies, practices, and procedures to allow equal opportunity for individuals with disabilities to participate, unless to do so would fundamentally alter the nature of the service, program or activity. Section 504 of the Rehabilitation Act prohibits discrimination based on disability in any program or activity operated by recipients of federal funds. Further Title II prohibits discrimination based on disability by public entities, regardless of whether they receive financial assistance.

REVIEW SUMMARY

To address the objectives noted above Internal Audit met with the ADR Director and reviewed related ADR policies, procedures, and practices. Overall, we found that ADR was generally in compliance with provisions of Title II and Section 504 and proactively strives to meet their goal of "*advocating and being a resource for inclusive design practices in facilities, communication, and instruction.*" Key to achieving this goal, an Electronic Information Technology Workgroup was established to established priorities and procedures for electronic information technology accessibility guidelines. As a result, an Administrative Procedure (5.10.02) was developed in August 2016 and adopted in October 2016.

Issues identified in this review include:

- There is no formal, required training for faculty regarding the requirements of ADA/Rehabilitation Act.
- There is no formal, required training for college staff (who regularly interact with students) regarding the requirements of ADA/Rehabilitation Act.
- There is not a College wide system in place to make certain that education materials distributed in classrooms are accessible to a person with a disability.

The issues identified have been reviewed with the ADR director and ADR has begun to address the issues identified in this review. A separate review of additional ADA requirements will be completed later in fiscal year 2016/2017. Issue details as well as management's responses are included in pages 2 to 4 of this report. Internal Audit will follow-up within 180 days from the date of this report to determine the status of the issues reported; Internal Audit will communicate the follow-up status with the ADR Director, Chancellor, Board of Governors and the Finance and Audit Committee.

DETAILED RESULTS

AUD.FY16-06 – Issue 1

There is no formal, required training for faculty regarding the requirements of ADA/Rehabilitation Act.

Formal, required training helps to create an environment and culture of compliance. Training is necessary to help ensure employee development and understanding of requirements, as well compliance with applicable laws and regulations.

A lack of formal, required training may result in inconsistent application of requirements, non-compliance with regulations, and result in ineffective or a lack of appropriate support for students.

RECOMMENDATION

We recommend the ADR Director work with the Provost and the Professional Development Office in Human Resources to develop and implement training for faculty on the requirements of ADA/Rehabilitation Act and services available to students. We recommend the training be developed and implemented within the next year and that the training is required (at least) annually for faculty.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Although overall there is no formal, required training for faculty regarding the requirements of ADA/Rehabilitation Act, there are trainings on the topic available through OED and instructors who use D2L or teach on-line need to complete a training that includes some basic training on accessibility related to compliance with ADA and 504. ADR has also designed and presented workshops on accessibility in different formats at various faculty meetings and has conducted regularly scheduled "Brown Bag Lunch Presentations" through OED at each campus for faculty and staff. In addition, ADR is currently working on short instructional videos on accessibility to be posted on the Pima YouTube channel and has accessible technology office hours at each campus where alt format technicians have been available to support faculty in making and choosing accessible materials. ADR also does a 15-minute segment on accessibility during on boarding; otherwise none of the presentations has been required.

ADR will work with the Electronic Information Technology (EIT) accessibility workgroup to design an on-going training for faculty that includes avenues for ongoing coaching and other support including incentives. The EIT accessibility work group will present this proposal, through ADR, to the ELT and faculty Senate for approval and support by the end of the Spring 2017 semester with the intent of initiating the program on All College Day 2017 and implementation for the Fall 2017 semester. A communication plan will be part of the proposal. In the meantime, ADR will expand its accessibility checking/remediation group to provide capacity to be able to respond to faculty who wish to proactively improve the accessibility of their course material with training to do so. In addition, ADR will look to develop a partnership with faculty to develop an action research group looking into the question "Can a course be created where accommodations would not be necessary?"

AUD.FY16-06 – Issue 2

There is no formal, required training for college staff (who regularly interact with students) regarding the requirements of ADA/Rehabilitation Act.

Formal, required training helps to create an environment and culture of compliance. Training of employees who regularly interact with students is necessary to enhance awareness, to help ensure an understanding of requirements, and to help achieve compliance with applicable laws and regulations.

A lack of formal, required training may result in ineffective or lack of appropriate guidance to students and noncompliance with regulations.

RECOMMENDATION

We recommend the ADR Director work with the Professional Development Office in Human Resources to develop and implement training within the next year, for staff who regularly deals with students, regarding ADA/Rehabilitation Act requirements and services available to students. We recommend that training be developed and implemented within the next year and that this training is required for staff (at least) annually.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Although overall there is no formal, required training for staff regarding the requirements of ADA/Rehabilitation Act, ADR has designed and presented workshops on accessibility in different formats at various staff meetings and has conducted regularly scheduled "Brown Bag Lunch Presentations" through OED at each campus for faculty and staff. In addition, ADR is currently working on short instructional videos on accessibility to be posted on the Pima YouTube channel and has accessible technology office hours at each campus where alt format technicians are available and have in past supported staff in making and choosing accessible materials. ADR also does a 15-minute segment on accessibility during on boarding; otherwise none of the presentations has been required.

ADR will work with the Electronic Information Technology (EIT) accessibility workgroup to design an on-going training for staff that includes avenues for ongoing coaching and other support including incentives. The EIT accessibility work group will present this proposal, through ADR, to the ELT and staff counsel for approval and support by the end of the Spring 2017 semester with the intent of initiating the program on All College Day 2017 and implementation for the Fall 2017 semester. A communication plan will be part of the proposal. In the meantime, ADR will expand its accessibility checking/remediation group to provide capacity to be able to respond to staff who wish to improve the accessibility of the documents and forms used in their areas with training to do so.

AUD.FY16-06 – Issue 3

There is not a system in place to make certain that education materials distributed in classrooms are accessible to a person with a disability.

Providing students equal access to, and an equal opportunity to participate in, the college experiences is a requirement of Title II of the ADA – this includes ensuring classroom materials are accessible.

Not having a system to make certain educational materials are accessible could result in students not being able to fully participate in classroom activities, may hinder learning, and places College at risk of noncompliance.

RECOMMENDATION

We recommend the ADR Director work with applicable staff and management to develop and implement a system – including policies, procedures, and training - to help ensure materials distributed are accessible to persons with a disability. In addition, if it is necessary to phase in such a system we recommend creating and documenting a timeline for implementation.

MANAGEMENT'S CORRECTIVE ACTION PLAN

There is no formal system in place to make certain that all education materials distributed in classrooms are accessible to a person with a disability. However, systems are in place that could be scaled up to meet this need: 1) ADR, on request, checks materials for accessibility from faculty and staff, 2) when a student asks for accommodations, ADR has a system in place for converting existing materials into accessible formats for that student, 3) a partnership between curriculum, ADR, and IT has been established to vet educational programs coming into the college for accessibility and functionality; and ADR has accessibility technicians at each campus once per week to answer accessibility questions and offer technical support.

The Center for Learning Technology (CLT), also, is aware of many accessibility needs and makes an effort to ensure that course templates are accessible. ADR has regular office hours in the CLT to support this effort. Although ADR has a system for ensuring accessible materials are available if students make a request for an accommodation, timelines to accomplish this are variable and ADR sometimes does not have enough time to fix all accessibility issues in time for the student. ADR has undertaken a number of efforts to get earlier warning systems in place, including contacting students that we know may need materials for access that require long lead times to convert so they can tell us what courses they will be taking. ADR has also just developed a questionnaire for faculty so that they can provide ADR with information on their classes before they go off calendar on break so ADR knows what materials they are using and can prepare materials if necessary over the break.

ADR will work with the Electronic Information Technology (EIT) accessibility workgroup to design a committee for providing feedback to faculty, CDACs, and other relevant entities on programs and other educational products they are considered for classroom use for accessibility. A proposal for the make-up, training, function, and jurisdiction and authority of this group will be presented, through ADR, to the ELT and faculty Senate for approval and support at the beginning of the Fall of 2017 semester with the intent of initiating the program on in the Spring of 2018 semester. A communication plan will be part of the proposal. In the meantime, ADR will expand its accessibility checking/remediation group to provide capacity to be able to respond to faculty and staff who wish to check educational materials before purchase. This proposed group could be expanded to include support of purchasing and IT in the area of providing feedback on product accessibility before purchase.

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

Board of Governors Finance and Audit Committee Meeting
January 20, 2017

Presented by:

*Terry Quest – Assistant Vice Chancellor for Finance
Ina Lancaster – Director of Budget & Reporting*

Overview - Comprehensive Annual Financial Report (CAFR)

- Includes the basic audited financial statements plus supplemental financial and summary information that helps illustrate the College's financial and operational position
- Organized into three sections
 - Introductory Section
 - Financial Section
 - Statistical Section

CAFR - Introductory Section

- Message from the Chancellor
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting from Government Finance Officers Association (GFOA) (24th consecutive year)
 - Highest form of recognition in governmental accounting and financial reporting
- Organization Chart, Principal Officers
- College Vision, Mission, Values

CAFR - Financial Section

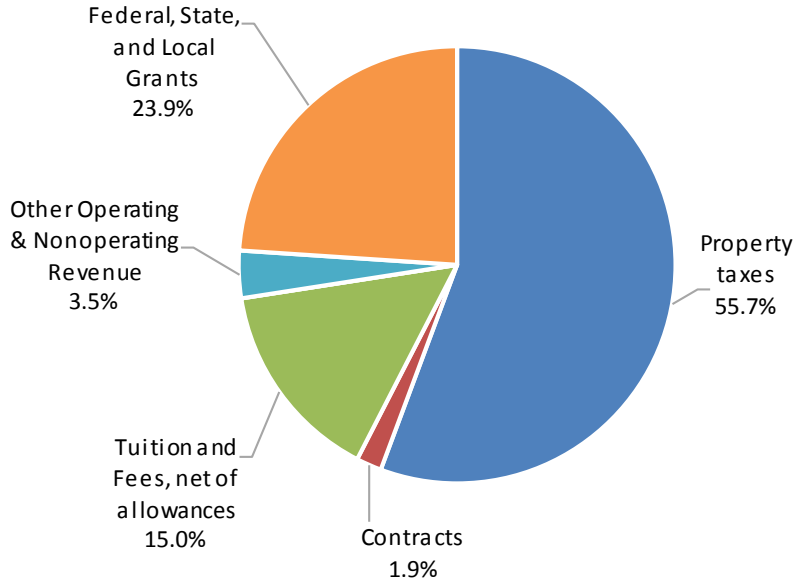
- AZ Auditor General Audit opinion (page 13)
 - Unqualified opinion from the Arizona Office of the Auditor General indicates the College's financial statements are reliable, fairly presented, and prepared according to accepted accounting principles
- Management's Discussion and Analysis
- Basic Financial Statements, includes component unit - PCC Foundation
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
 - Required Supplementary Information

CAFR - Statistical Information

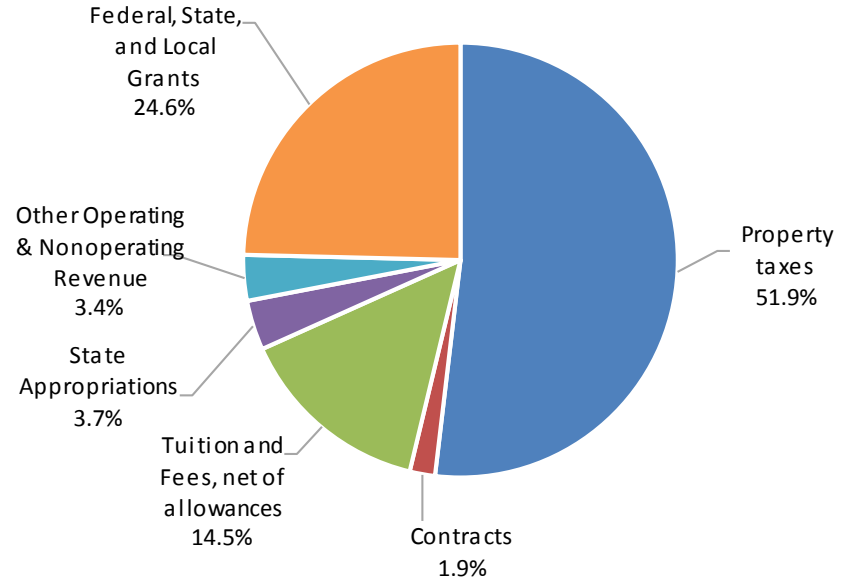
- Financial Trends
 - Net Position, Expenses, Revenues
- Revenue Capacity
 - Property Tax and Levy Data, Tuition Rates
- Debt Capacity
 - Debt Schedules and Data
- Demographic and Economic Information
 - Pima County data
- Operating Information
 - Staffing, Enrollment, Degree Statistics, Capital Asset Schedule, Expenditure Limitation, Additional Information

Revenues by Source

**Revenues by Source
FY 2016
\$185,468,767**



**Revenues by Source
FY 2015
\$191,740,213**



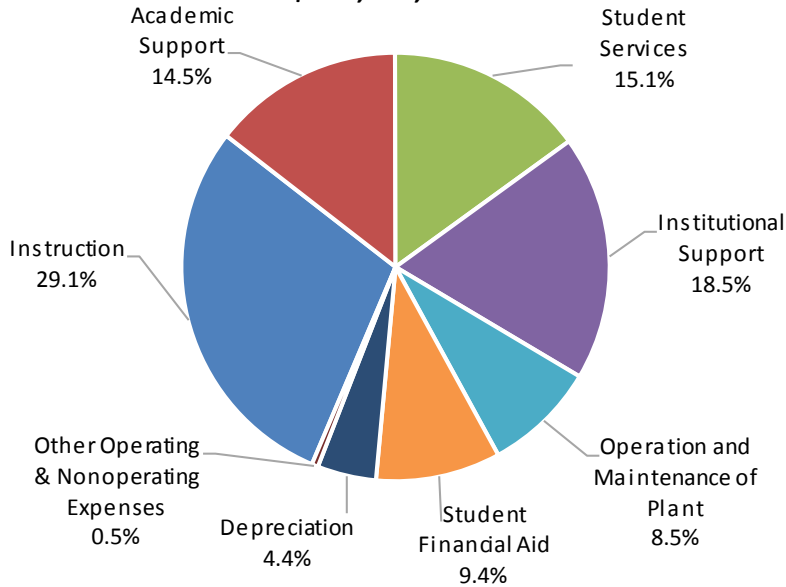
Revenues by Source

	<u>FY 2016</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Operating Revenues</u>				
Tuition and Fees (net of allowances) \$	27,792,518	\$ 27,860,572	(\$68,054)	-0.2%
Contracts	3,485,053	3,614,371	(129,318)	-3.6%
Commissions and Rents	1,658,484	1,608,709	49,775	3.1%
Other Operating Revenues	<u>912,844</u>	<u>1,137,112</u>	<u>(224,268)</u>	-19.7%
Total Operating Revenues	33,848,899	34,220,764	(371,865)	-1.1%
<u>Nonoperating Revenues</u>				
Property Taxes	103,274,540	99,464,621	3,809,919	3.8%
State Appropriations	-	7,093,500	(7,093,500)	-100.0%
Federal Grants	42,891,284	45,616,708	(2,725,424)	-6.0%
State and Local Grants	1,523,348	1,573,775	(50,427)	-3.2%
Share of State Sales Tax	2,282,341	2,331,857	(49,516)	-2.1%
Gifts	843,947	802,841	41,106	5.1%
Investment Income	710,033	489,706	220,327	45.0%
Other Nonoperating Revenues, net	<u>56,720</u>	<u>10,100</u>	<u>46,620</u>	461.6%
Total Nonoperating Revenues	151,582,213	157,383,108	(5,800,895)	-3.7%
Capital Gifts and Grants	37,655	136,341	(98,686)	-72.4%
Total Revenues	\$ 185,468,767	\$ 191,740,213	(\$6,271,446)	-3.3%

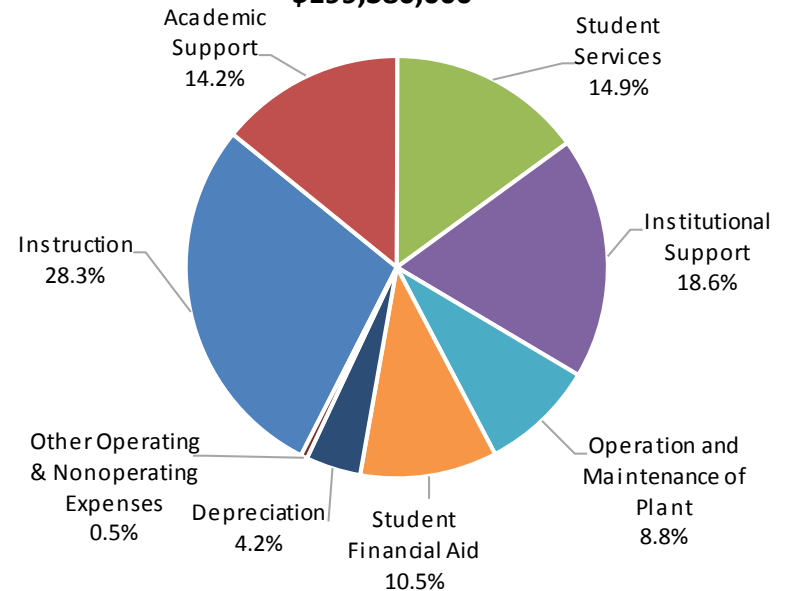


Expenses by Category

**Expenses by Category
FY 2016
\$187,167,426**



**Expenses by Category
FY 2015
\$199,380,000**



Expenses by Category

	<u>FY 2016</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Operating Expenses</u>				
Educational and General				
Instruction	\$ 54,486,848	\$ 56,521,328	(\$2,034,480)	-3.6%
Academic Support	27,061,889	28,307,683	(1,245,794)	-4.4%
Student Services	28,184,238	29,761,778	(1,577,540)	-5.3%
Institutional Support	34,664,541	36,990,188	(2,325,647)	-6.3%
Operation and Maintenance of Plant	15,905,619	17,474,890	(1,569,271)	-9.0%
Student Financial Aid	17,646,631	20,923,754	(3,277,123)	-15.7%
Auxiliary Enterprises	876,462	972,572	(96,110)	-9.9%
Depreciation	8,321,837	8,403,706	(81,869)	-1.0%
Total Operating Expenses	187,148,065	199,355,899	(12,207,834)	-6.1%
<u>Nonoperating Expenses</u>				
Loss on Capital Asset Disposal	19,361	24,101	(4,740)	-19.7%
Total Nonoperating Expenses	19,361	24,101	(4,740)	-19.7%
Total Expenses	\$ 187,167,426	\$ 199,380,000	(\$12,212,574)	-6.1%



Expenses by Type

Expense Type	FY 2016	FY 2015	\$ Change
Employee Compensation and Benefits	\$ 125,046,081	\$ 127,935,467	\$ (2,889,386)
Communication and Utilities	5,174,522	5,803,596	(629,074)
Travel	1,818,299	1,830,431	(12,132)
Contractual Services	16,342,555	18,749,281	(2,406,726)
Supplies and Materials	7,610,844	9,084,437	(1,473,593)
Student Financial Aid	17,646,631	20,923,754	(3,277,123)
Other Expenses	5,187,296	6,625,227	(1,437,931)
Depreciation	8,321,837	8,403,706	(81,869)
Total Operating Expenses	\$ 187,148,065	\$ 199,355,899	\$ (12,207,834)



Net Position

Item	FY 2016	FY 2015	\$ Change
Cash and Cash Equivalents	\$ 44,477,872	\$ 40,034,277	\$ 4,443,595
Short + Long-term Investments	56,429,069	55,656,676	772,393
Other Current + Non-Current Assets	121,483,407	126,775,440	(5,302,033)
Total Assets	\$ 222,380,348	\$ 222,466,393	(\$ 86,045)
Total Liabilities	158,660,371	149,377,777	9,282,594
Total Net Position	\$ 66,287,286	\$ 67,985,945	(\$ 1,698,659)
Net Position			
Invested in Capital Assets (net of related debt)	\$ 106,258,844	\$ 111,016,873	(\$ 4,758,029)
Restricted Net Position	10,126,191	8,869,962	1,256,229
Unrestricted Net Position	(\$ 50,097,749)	(\$ 51,900,890)	\$ 1,803,141)
Total Net Position	\$ 66,287,286	\$ 67,985,945	(\$ 1,698,659)

Revenues, Expenses, and Changes in Net Position

Item	FY 2016	FY 2015
Total Operating Revenues	\$ 33,848,899	\$ 34,220,764
Total Operating Expenses	187,148,065	199,355,899
Operating Loss	(153,299,166)	(165,135,135)
Net Nonoperating Revenues	151,562,852	157,359,007
Deficit before Capital Appropriations, Gifts and Grants	(1,736,314)	(7,776,128)
Capital Appropriations, Gifts and Grants	37,655	136,341
Increase (Decrease) in Net Position	\$ (1,698,659)	\$ (7,639,787)



FY 2016 Audit Results

- Financial Statement Audit
 - “...the financial statements referred to above present fairly, in all material respects...”
- Audits still in process and not yet completed:
 - Internal Control over financial reporting
 - Single Audit (A-133)
 - Expenditure Limitation

FY 2016 CAFR Changes

- New!
 - Message from the Chancellor
 - Expenditure Limitation explanation and data
 - Links to Additional Information
- Improved!
 - All data tables are portrait orientation - easier to read
 - Schedules for Principal Property Taxpayer and Principal Employers now provide data that is easier to compare

Summary

- Unqualified opinion from the Arizona Office of the Auditor General indicating the College's financial statements are reliable, fairly presented, and prepared according to accepted accounting principles.
- PCC is debt free, the secondary property taxes Pima County taxpayers pay to the College is zero.
- Elimination of State appropriations reduced nonoperating revenues.
- Decreased enrollment created lower tuition and fee and lower grant revenue. Continued efforts to reduce expenses helped mitigate these impacts.
- GASB 'Statement No. 68, Accounting and Financial Reporting for Pensions', was implemented June 30, 2015 and this accounting change continues to impact the way the College accounts for its share of pension liability for the two defined benefit retirement plans that the College contributes to: the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS).