TO: Chancellor Lambert
           Board of Governors
           Morgan Phillips, President, Desert Vista and West Campus
           Ted Roush, Vice President of Instruction, Desert Vista Campus
Cc: Finance and Audit Committee

FROM: Lori Cox, Director, Internal Audit
           Kurt Weirich, Senior Auditor

DATE: May 5, 2016

SUBJECT: *Aviation Center Controls Follow-Up Audit Results*
               (AUD.FY16-09)

The Office of the Internal Auditor (Internal Audit) has completed a second Aviation Center Controls 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 upon the disposition of management's actions to address risks identified and to communicate the results of the audit engagement.

The purpose of this follow-up audit is to determine if the findings identified in the original audit (issued September 22, 2014) were addressed and to communicate the implementation status of Management's Corrective Action Plans. The first follow-up audit (issued June 9, 2015) determined that progress had been made but that important work remained.   We express our appreciation to the Aviation Center administration and staff for their time and cooperation during this follow-up audit.

FOLLOW-UP AUDIT SCOPE AND METHODOLOGY
To determine if the findings in the original audit were addressed and assess the implementation status of Management's Corrective Action Plan Internal Audit: interviewed applicable Aviation Center staff and administration, and examined Aviation implementation status reports and conflict of interest training documentation.

OVERVIEW
Overall, Internal Audit found that progress has been made towards addressing the findings and implementing Management's Corrective Action Plans, however additional work is required in order to fully ensure controls are adequate. Areas where additional work is required to address findings include inventory controls, student information controls, and cash handling procedures. Internal Audit has noted that management has taken strong action towards improving building physical access security controls, e.g. reducing the number of Aviation building keys to a few employees. In addition to Internal Audit's activities the Federal Aviation Administration also regularly audits the Aviation program to help ensure compliance with FAA requirements.   Internal Audit will continue to follow-up on areas not fully addressed.

FOLLOW-UP AUDIT NEXT STEPS
Aviation Center 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 of December 31, 2016 to address remaining issues. To facilitate an additional follow-up audit, the Aviation Center should notify Internal Audit as findings are addressed and provide the appropriate supporting audit documentation for Internal Audit 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 tickmark legend is included below. This is followed by a summary of findings from the original audit and their overall status. Next there are detailed charts that outline the implementation status classification of management's corrective action plan (and/or if the finding has been addressed).

IMPLEMENTATION STATUS CLASSIFICATIONS
The implementation of each corrective action is classified into one of the following four (4) 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.

TICKMARK LEGEND

✓ - Current follow-up audit status.

❖ - Status as of June 9, 2015 follow–up audit.

SUMMARY
AUDIT FINDINGS STATUS

Original Audit Finding	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
AUD.FY14-01 – Finding #1 – Inventory controls are inadequate: as a result, there is little assurance that inventory is accounted for, tracked and not misused.		✓	❖	
AUD.FY14-01 - Finding #2 – Building physical access security is inadequate.		✓	❖	
AUD.FY14-01 – Finding #3 – Student information controls are inadequate.	✓	❖		
AUD.FY14-01 - Finding #4 – Event and volunteer controls are inadequate.	✓ ❖			
AUD.FY14-01 - Finding #5 – Conflict of interest disclosure is inadequate resulting in non-compliance with State of Arizona's Conflict of Interest Law and College policies.		✓	❖	
AUD.FY14-01 - Finding #6 – Written cash handling procedures and controls regarding supplemental income are incomplete potentially resulting in cash not being accounted for properly and inconsistent fees charged to students for FAA testing by faculty.		✓	❖	

DETAILED AUDIT FINDING STATUS
AUD.FY14-01 – Finding #1 – Inventory controls are inadequate: as a result, there is little assurance that inventory is accounted for, tracked and not misused.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
Implement an annual, comprehensive inventory of supplies, equipment, and instrumentation.		✓	❖	
Modified Plan: Contact Human Resources to start a study of staffing levels for inventory functions by May 27, 2015 depending on funding availability.	✓ ❖			
Cease co-mingling of faculty/staff belongings and program inventory.	✓ ❖			
Align and formalize a process for receiving and controlling property donated to the Aviation Program.	✓	❖		
Improve inventory control that supports student labs by selecting and implementing an appropriate electronic inventory system.	✓		❖	
Create a disposal plan to deal with unclaimed student tools.	✓ ❖			
Create written agreements to govern the loan of aviation equipment to industry partners when such agreements serve the College's best interests.	✓ ❖			
Prohibit Faculty from collecting inventory from aviation industry trash containers.	✓ ❖			
Instill a culture of strong inventory controls by conducting training and implementing periodic monitoring.		✓	❖	
Develop protocol to address access to facility and inventory after business hours and on the weekends.	✓		❖	
Secure all inventory items.		✓	❖	

AUD.FY14-01 - Finding #2 – Building physical access security is inadequate.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete <50%	No Progress
Assemble committee to create building access and security procedures and recommend surveillance system.		✓	❖	
Purchase and install access and surveillance system.			✓ ❖	

AUD.FY14-01 – Finding #3 – Student information controls are inadequate.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
Secure student academic records in locked cabinets when not being actively processed.	✓	❖		
Organize records and adopt standards for processing and tracking.	✓ ❖			
Records maintained by the ATC to be reduced to match FAA requirements and stored in water-resistant containers.	✓	❖		
Scanning of student records to be completed in a timely manner.	✓ ❖			
Provide and document FERPA training for all volunteers prior to assignment.	✓ ❖			
Train additional staff members as a backup for student records administration.	✓ ❖			
Segregate duties for student testing and acceptance (e.g. admissions testing and new student admissions letters duties).	✓ ❖			

AUD.FY14-01 - Finding #4 – Event and volunteer controls are inadequate.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
Create a current list of Aviation Center volunteers and provide the information with the appropriate College departments. Provide thorough training to all program volunteers before initiating volunteer work.	✓ ❖			
Complete PCC Volunteer form before initiating volunteer work.	✓ ❖			
Train faculty and staff on requirements for documenting, authorizing and supervising volunteers working with minors.	✓ ❖			
Document facilities use approval from Administration prior to outside events.	✓ ❖			
Ensure insurance certificates are appropriate and that users provide sufficient liability coverage for all outside events.	✓ ❖			

AUD.FY14-01 - Finding #5 – Conflict of interest disclosure is inadequate resulting in non-compliance with State of Arizona's Conflict of Interest Law and College policies.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete <50%	No Progress
Management follow-up to ensure potential or actual conflicts of interest are disclosed annually utilizing the PCC Conflict of Interest Form.		✓	❖	
All faculty and staff to receive comprehensive training about AZ State and PCC Conflict of Interest requirements.		✓	❖	

AUD.FY14-01 - Finding #6 – Written cash handling procedures and controls regarding supplemental income are incomplete potentially resulting in cash not being accounted for properly and inconsistent fees charged to students for FAA testing by faculty.

Management Corrective Action Plan(s)	Finding Status			
	Addressed	Substantially Complete >50%	Partially Complete ≤ 50%	No Progress
All faculty and staff to receive training in AZ State and PCC Conflict of Interest requirements		✓	❖	
Assemble a committee of stake holders and adopt internal comprehensive cash handling procedures that will be followed to ensure compliance with proper accounting.		✓ ❖		