




**Pima County Community College District**  
**Office of the Internal Auditor**

**Aviation Center Controls Audit**  
**Executive Summary and Final Report**  
**AUD-FY14-01**

**September 22, 2014**

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Distribution:

Board of Governors

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## **AVIATION CENTER CONTROLS AUDIT**

### **Executive Summary**

The Office of the Internal Auditor (Internal Audit) has completed a review of Aviation Center Controls. The College's Aviation Technology Program has a reputation for high quality education and high job placement rates; faculty, staff and administrators have affirmed the goal for the program to become a premiere aviation program both regionally and nationally. Realizing that becoming a premiere program necessitated performing at the highest levels in all aspects, Aviation Program administration and management recognized that practices acquired over 40 years of operations likely had areas that needed improvement. As such, Desert Vista Campus administration requested an audit of practices and supporting processes to identify deficiencies and recommend improvements.

The objectives of the review included determining whether:

- Processes related to inventory, donations, purchasing, building physical access security, safety, student academic records and administrative policies, procedures, and internal controls exist, are adequate and functioning as intended.
- Processes are performed efficiently and effectively and meet the needs of the College.

### **SCOPE AND PROCEDURES**

The scope was focused upon the Aviation Center's business processes required to control this highly technical, complex and heavily regulated area, **not** on academic areas, e.g. academic topics or instruction. The time period of the review includes FY 2013 and FY 2014 (as of 04/10/2014).

To address the objectives of the review, Internal Audit:

- Interviewed Aviation Center administration, staff and faculty personnel.
- Obtained, reviewed and analyzed various Aviation Center documents – including inventory records, select financial documents and donation records – as well as various records from PCC departments including:
  - Purchasing
  - PCC Foundation
  - Human Resources
  - District Administration, and
  - Department of Public Safety
- Consulted with the College General Counsel and Senior Administration.
- Reviewed and analyzed College, Federal Aviation Administration (FAA), US Department of Education and other university and community college policies, procedures, systems and relevant documents related to Aviation Center processes and practices.
- Performed on-site internal control process walk-throughs and observations.

### **AUDIT SUMMARY**

The Pima Community College Aviation Technology Programs are very successful in preparing and training students, aligning with aviation industry requirements and providing the opportunity to obtain high paying positions in the Tucson community. Aviation Center graduates receive world class skills; the job placement rate for Pima Community College students in the aviation industry is currently 85%.

Aviation Center business related internal controls and processes need **significant** improvement; serious consequences exist if improvements are not made including potential significant fines, safety issues and regulatory compliance violations. A summary of the audit findings is presented below. Management submitted a corrective action plan to address each of the findings noted in this report. Internal Audit will complete a follow-up audit in February/March 2015 to determine the status of corrective actions.

The detailed findings and general business concerns (pages 8 through 22) were reviewed and discussed with management and staff during an audit exit meeting on July 17, 2014. Management's corrective action plan is included after each of the detailed findings, and a management response is included after each general business concern.

## SUMMARY OF FINDINGS

### 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.

Standard inventory internal controls include the requirement for a complete, current inventory system including a comprehensive inventory listing. This inventory list must be documented, periodically audited and results reported to management. Specific finding details are below as well as related risk/potential consequences.

### AUD.FY14-01 – Finding 2

Building physical access security is inadequate.

Strong building physical access security controls are critical to ensure the safety and security of Aviation Center students, faculty, staff, visitors and inventory.

### AUD.FY14-01 – Finding 3

Student information controls are inadequate.

Maintaining strong controls over student information is critical to the College and students. The *Family Educational Rights and Privacy Act (FERPA)* requires that student records are adequately controlled.

### AUD.FY14 –01- Finding 4

Event and volunteer controls are inadequate.

Standard controls for volunteers include a volunteer on-boarding process and criminal background checks for volunteers. In addition, use of College facilities should be pre-authorized and consistent with College goals, objectives and values.

### 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.

The *State of Arizona's Conflict of Interest Law* includes standard controls that require employees business interest be disclosed. Employees are required annually to disclose their conflict of interests utilizing the *PCC Conflict of Interest Form*.

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.

Standard internal controls include comprehensive written cash handling procedures that are followed to ensure proper accounting. Faculty members receive non-PCC supplemental income from different sources requiring proper cash handling controls.

## **Aviation Center Controls Final Audit Report**

The Office of the Internal Auditor (Internal Audit) has completed a review of Aviation Center Controls. The College's Aviation Technology Program has a reputation for high quality education and high job placement rates; faculty, staff and administrators have affirmed the goal for the program to become a premiere aviation program both regionally and nationally. Realizing that becoming a premiere program necessitated performing at the highest levels in all aspects, Aviation Program administration and management realized that practices acquired over 40 years of operations likely had areas that needed improvement. As such, Desert Vista Campus administration requested an audit of practices and supporting processes to identify deficiencies and recommend improvements.

This is the first Internal Audit review of the Aviation Center. The review was included in the fiscal year 2014 Internal Audit Plan as approved by the Board of Governors. The objectives of the review included determining whether:

- Processes related to inventory, donations, purchasing, building physical access security, safety, student academic records and administrative policies, procedures, and internal controls exist, are adequate and functioning as intended.
- Processes are performed efficiently and effectively and meet the needs of the College.

### **SCOPE AND PROCEDURES**

The scope was focused upon the Aviation Center's business processes required to control this highly technical, complex and heavily regulated area, *not* on academic areas, e.g. academic topics or instruction. The time period of the review includes FY 2013 and FY 2014 (as of 04/10/2014).

To address the objectives of the review, Internal Audit:

- Interviewed Aviation Center administration, staff and faculty personnel.
- Obtained, reviewed and analyzed various Aviation Center documents – including inventory records, select financial documents and donation records – as well as various records from PCC departments including:
  - Purchasing
  - PCC Foundation
  - Human Resources
  - District Administration, and
  - Department of Public Safety
- Consulted with the College General Counsel and Senior Administration.
- Reviewed and analyzed College, Federal Aviation Administration (FAA), US Department of Education and other university and community college policies, procedures, systems and relevant documents related to Aviation Center processes and practices.
- Performed on-site internal control process walk-throughs and observations.

## SUMMARY

The Pima Community College Aviation Technology Programs are very successful in preparing and training students, aligning with aviation industry requirements and providing the opportunity to obtain high paying positions in the Tucson community. Aviation Center graduates receive world class skills; the job placement rate for Pima Community College students in the aviation industry is currently 85%.

Pima Community College's current Aviation Technology program was created not long after the College itself was founded. Over the 40 years of the program's existence, local industry involvement was solicited and welcomed in order to equip the Aviation Technology Center (ATC) with the necessary support equipment to offer a comprehensive education to students. As a result, a close and reciprocal partnership developed between local industry and the College.

Attuned to the needs of the aviation program, local partners considered the College first when new equipment replaced old, and when excess supplies – suitable for training, but not for airworthy flight – became available. Aviation program personnel reciprocated this generosity over the years when occasional requests to borrow donated items or College-procured items came in from local partners. These practices continued throughout the program's existence until Spring 2014.

Aviation Center business related internal controls and processes need **significant** improvement; serious consequences exist if improvements are not made including potential significant fines, safety issues and regulatory compliance violations. The key Aviation Center control and process business areas needing improvement include:



The Aviation Center and business processes are highly technical, complex and heavily regulated areas. In addition, the nature of the industry includes a high level of inherent risk. As such, it is **critical** that improvements are implemented to significantly strengthen internal controls and processes and help ensure compliance with all College, State and Federal policies and regulations.

As part of the audit, we completed an assessment of Aviation Center risks. The risk assessment is presented below followed by background on the Aviation program, the detailed audit findings and general business concerns. The detailed findings and general business concerns were reviewed and discussed with management and staff during an audit exit meeting on July 17, 2014. Management's corrective action plan is included after each finding, and a management response is included after each general business concern.

**RISK ANALYSIS**

A risk is an event or an exposure that could prevent the College from, or impact the College in, meeting its goals and objectives. Risk is determined based upon both the impact (the effect on the College if the risk transpires) and probability (the likelihood that the risk will occur). The risks identified in the chart below represent the significant risks associated with the Aviation Center's current controls and processes. The majority of risks have a higher probability of occurrence; as a result the impact of the occurrence could be significant and detrimental to the college.

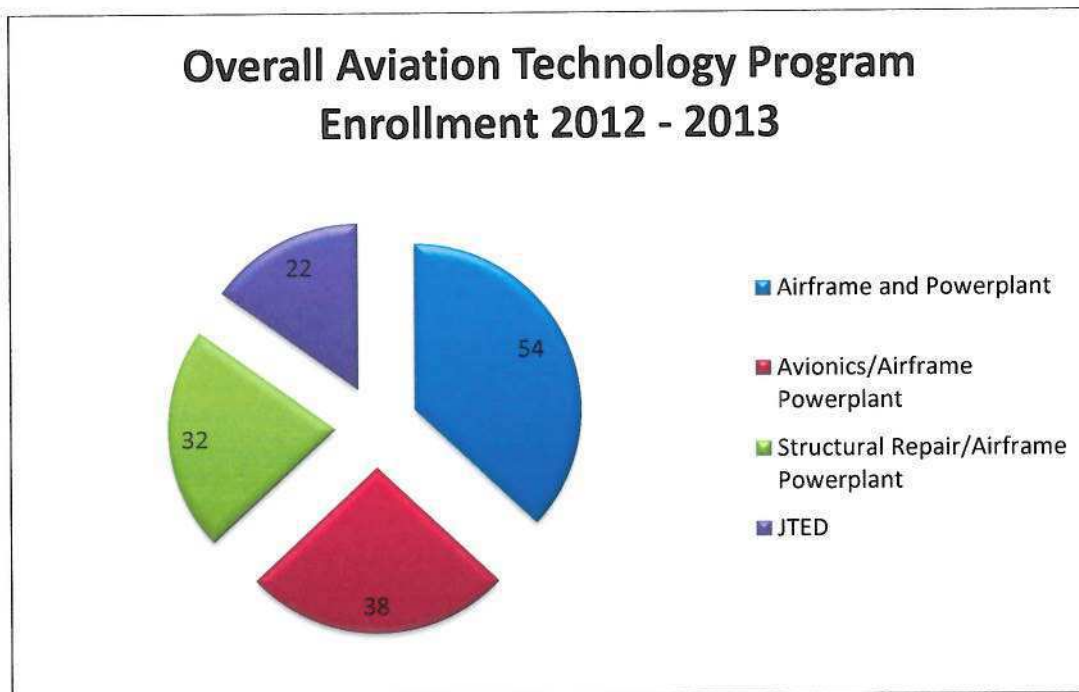
**Risk Summary – Aviation Center Controls**

<b>Impact</b>	<p><b>High Impact/Low Probability</b></p> <ul style="list-style-type: none"> <li>▪ FERPA Violations</li> <li>▪ Reduced Donations</li> <li>▪ Insufficient Insurance Coverage for Non-PCC Events</li> </ul>	<p><b>High Impact/ High Probability</b></p> <ul style="list-style-type: none"> <li>▪ Unapproved Aviation Parts enter aviation system.</li> <li>▪ Misappropriation of Assets</li> <li>▪ Conflict of Interests going undented.</li> <li>▪ Non-Compliance with applicable laws and regulations.</li> <li>▪ Cash not properly accounted for</li> <li>▪ Unauthorized access to buildings and facilities.</li> <li>▪ Disputes regarding borrowed aviation equipment.</li> <li>▪ Volunteers without background checks.</li> <li>▪ Safety incidents due to PCC owned, un-calibrated tools utilized for repairs off-campus.</li> </ul>
	<p><b>Low Impact/Low Probability</b></p>	<p><b>High Impact/Low Probability</b></p> <ul style="list-style-type: none"> <li>▪ Faculty Recruitment and Retention Issues</li> </ul>
<b>Low</b>	<b>Low</b>	<b>High</b>
<b>Probability</b>		

**BACKGROUND**

The College has established a highly respected and successful Aviation Technology program to train students to perform aircraft maintenance for the private aviation industry. This includes repair of aircraft, required maintenance activities and avionics. Students can earn a certification that is accepted by the FAA and permits the student to work on aircraft. The job placement rate for Pima Community College students in the aviation industry is very high (currently 85%).

Students are eligible to take either FAA certification exams (Airframe and Powerplant and Structural Repair) or National Center for Aerospace Transportation Technologies (NCATT) certifications exams (Avionics). Certification is required to work in the industry. Aviation Center student enrollment data for 2012 – 2013 is as follows:



The Aviation Technology Program is administered by the Desert Vista (DV) campus. The program is physically located in a relatively isolated location approximately 3.5 miles from the DV campus near the Tucson International Airport (TIA). The current facility was built in 2001 and includes classrooms, student laboratories, special tools, aircraft and aviation parts inventory.

The aviation industry is heavily regulated by the FAA, especially related to safety. Strong inventory controls are required to track and document all aviation parts inventory by unique serial number. Unapproved aviation parts, as defined by the FAA, are a significant safety risk if they are introduced back into the aviation system as “good parts”. In addition, aviation parts are very expensive to purchase, extremely valuable and are in demand in the market place. The FAA audits the Aviation Center’s student academic processes on an annual basis based upon *FAA Part 147 – Aviation Maintenance Technician Schools* requirements. Student academic records are required to be retained and made available to FAA auditors.

Donations of aviation parts and aircraft are frequently made to the Aviation Center from aviation industry partners, including a recent *Federal Express 727* airplane utilized for student training purposes.

Various public events are held at the Aviation Center on the weekends (e.g. Aircraft Owners and Pilots Association events). In addition, FAA tests are administered for PCC and non-PCC students frequently after business hours and on the weekends.

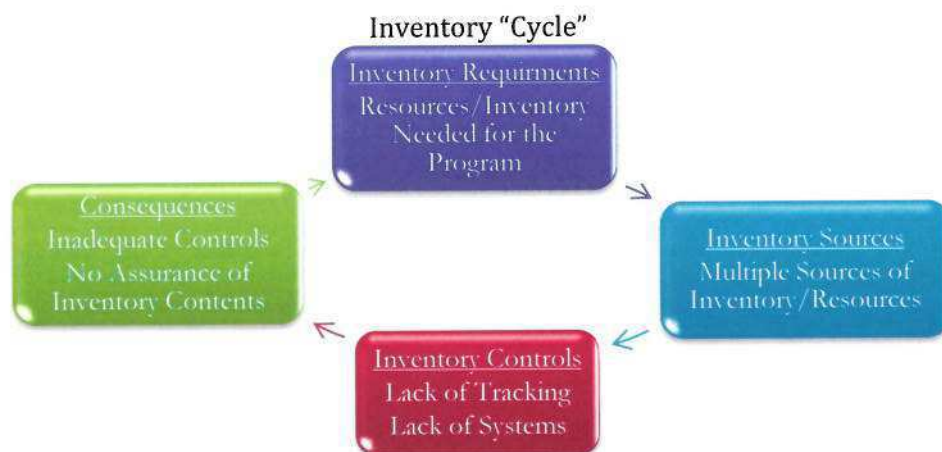


## DETAILED AUDIT FINDINGS

### 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.**

Standard inventory internal controls include the requirement for a complete, current inventory system including a comprehensive inventory listing. This inventory list must be documented, periodically audited and results reported to management. Specific finding details are below as well as related risk/potential consequences.



#### Inventory Control - Specific Finding Details

- A current complete list of all aviation inventory items does not exist; the most recent list was completed in 2003 and had not been updated.
- Inventory items with high value stored in unsecured area.
- Inventory items owned by faculty and students are co-mingled with PCC owned inventory.
- Access to inventory storage rooms is not monitored after business hours or on the weekends.
- Inventory processes are primarily manual paper based.
- Expendable inventory items are not inventoried or otherwise tracked.
- PCC owned tools and equipment are "borrowed" for non-PCC use off-campus by faculty and outside businesses.
- A student unclaimed tools disposal plan does not exist; tools are not inventoried, and have been in storage for over three years.
- The primary inventory tool crib storage room is understaffed; the Avionics inventory storage room is unmanned and utilizes the "honor system" for inventory control.
- Written agreements with outside entities for borrowed aviation equipment do not exist.
- The PCC Foundation may not have knowledge of all In-Kind (Non-Monetary) donations at the Aviation Center, especially if the donor does not request a tax benefit and the donation was directly made at the Aviation Center.
- In-Kind (non-monetary) donations are not always recorded or received into the inventory system; 14 of 20 (70%) *PCC In-Kind (Non-Monetary) Donations* forms reviewed did not contain the Campus President approval.
- 2 of 20 (10%) of in-kind (non-monetary) donations received directly by the Aviation Center were not included on the PCC Foundation Donation List.
- Aviation items are sometimes collected from aviation industry trash containers for use by PCC students (i.e. "dumpster diving") by faculty utilizing their personal vehicles.

**Finding 1, Inventory Controls, Continued**

Inventory Controls – Risks and Potential Consequences
<ul style="list-style-type: none"> <li>▪ FAA unapproved parts enter the aviation system resulting in a safety incident, significant FAA fines, costs to replace parts and places the program’s certification at risk.</li> <li>▪ Theft of inventory.</li> <li>▪ Misunderstandings regarding borrowed aviation equipment.</li> <li>▪ Inefficient manual paper-based inventory system results in errors and delays.</li> <li>▪ Inability to clearly identify co-mingled inventory items from PCC, faculty, students, outside businesses and abandoned inventory.</li> <li>▪ Insurance claims difficult to settle because ownership cannot be proven placing the College at additional risk of losses.</li> <li>▪ Decrease in future donations.</li> <li>▪ PCC owned inventory utilized off-campus for private gain.</li> <li>▪ PCC borrowed inaccurately calibrated tools are utilized for airplane repairs may result in safety incidents.</li> </ul>
Inventory Control - Causes of Findings
<ul style="list-style-type: none"> <li>▪ Organizational culture does not support strong inventory controls.</li> <li>▪ Limited staffing levels contribute to the accuracy and completeness of the inventory lists.</li> <li>▪ Monitoring of inventory does not occur after business hours or on weekends.</li> <li>▪ Permission had been granted by the Department Chair to allow PCC owned tools and equipment to be utilized off-campus for non-PCC purposes.</li> <li>▪ No process exists to control inventory items owned by faculty and students that are co-mingled with PCC owned inventory.</li> </ul>
Inventory Control - Recommendations
<ul style="list-style-type: none"> <li>▪ Develop a complete current inventory list, periodically audit and report results to management.</li> <li>▪ Develop a process to control and identify all co-mingled inventory.</li> <li>▪ Purchase and implement an electronic inventory system.</li> <li>▪ Create an unclaimed tools disposal plan, review plan with College General Counsel and Finance and Administrative Services and implement plan after approvals obtained.</li> <li>▪ Conduct a study of staffing levels for inventory functions consulting with Human Resources as needed.</li> <li>▪ Secure all inventory items.</li> <li>▪ Control inventory access and develop plans to address access after business hours and on the weekends.</li> <li>▪ Create written agreements for borrowed aviation equipment.</li> <li>▪ Establish Aviation Center donation controls and procedures.</li> <li>▪ Prohibit faculty from collecting inventory from aviation industry trash containers.</li> <li>▪ Emphasize a culture of strong inventory controls by conducting training and implementing periodic monitoring.</li> </ul>

Finding #1  
 Management's Corrective Action Plan

Finding	Action	Start/Complete Dates	Comments
Lack of Inventory Tracking	Implement an annual, comprehensive inventory of supplies, equipment, and instrumentation.	Completion of first comprehensive inventory by: January 2, 2015  Subsequent inventories to be completed annually and due on July 31 <sup>st</sup> each year	Staffing is not currently adequate to perform inventory and maintain year-round educational program.
	Conduct a study of staffing levels for inventory functions.	Start: November 1, 2014  Report results: December 1, 2014	
Lack of Inventory Control Systems	Cease co-mingling of faculty/staff belongings and program inventory.	Complete	Letter issued to ATC personnel May 2014 prohibiting entry of personal property into the ATC.
	Align and formalize a process for receiving and controlling property donated to the Aviation program.	Process developed and implemented by: November 1, 2014	Include PCC Foundation and Maintenance and Security in the process.
	Improve inventory control that supports student labs by selecting and implementing an appropriate electronic inventory system.	Assemble committee to identify inventory control alternatives by: December 1, 2014  Purchase system by: February 15, 2015	Funding for new inventory control system may not be available from campus resources.
	Create a disposal plan to deal with unclaimed student tools.	November 1, 2014	Include General Counsel, PCC Foundation, and District Finance.
	Create written agreements to govern the loan of aviation equipment to industry partners when such agreements serve the College's best interests.	Begin: February 15, 2015;  Conclude: June 30, 2015.	Agreements to be developed gradually based upon need of the College. No loan of College equipment will be permitted without existence of a mutually approached agreement.
	Prohibit Faculty from collecting inventory from aviation industry trash containers	Complete	Email issued to ATC personnel May 2014 prohibiting entry of any equipment, components, or supplies into the ATC without prior approval of VPI or Campus President.

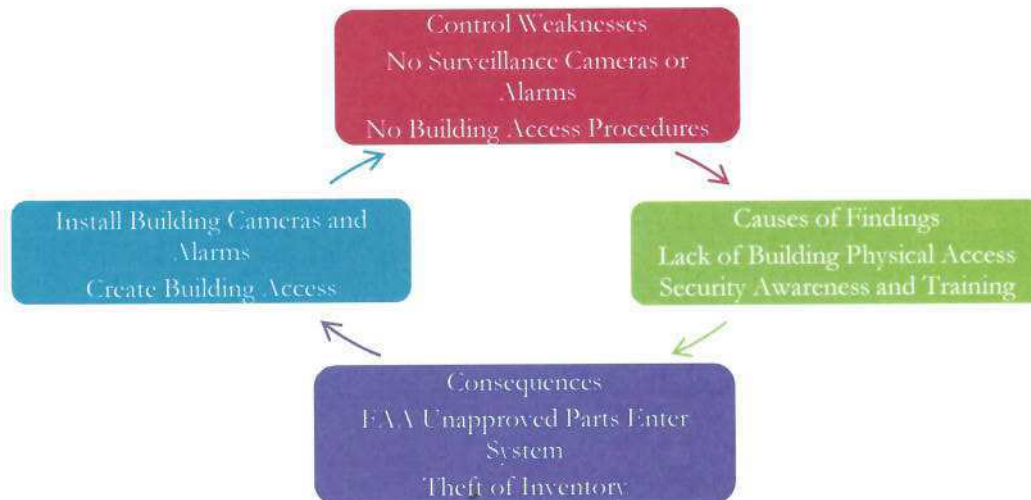
Finding 1, Corrective Action Plan Continued			
Finding	Action	Start/Complete Dates	Comments
	Instill a culture of strong inventory controls by conducting training and implementing periodic monitoring.	Provide training to faculty and staff by: October 31, 2014.  Monitor efficacy of inventory controls quarterly for two years and then reevaluate monitoring function.  First monitoring: January 15, 2015	Support from College Professional Development office will be necessary to secure inventory control training.
	Develop protocol to address access to facility and inventory after business hours and on the weekends.	Develop access protocol for the ATC by: October 31, 2014	Implementation will require support from Facilities and may be part of actions taken to address Finding # 2.
	Secure all inventory items	Develop and implement protocols to ensure the security from theft or misuse of each property class and location by: November 1, 2014	Implementation will require support from Facilities and may be part of actions taken to address Finding # 2.

**AUD.FY14-01 – Finding 2**

**Building physical access security is inadequate.**

Strong building physical access security controls are critical to ensure the safety and security of Aviation Center students, faculty, staff, visitors and inventory.

Building Physical Access Security Controls



<b>Building Physical Access – Specific Finding Details</b>
<ul style="list-style-type: none"> <li>▪ Surveillance cameras are not utilized.</li> <li>▪ Electronic keyless access system, or a similar system to track access into and out of the building, is not utilized.</li> <li>▪ Building alarms (except fire alarms) are not utilized.</li> <li>▪ Monitoring of building access after business hours or on weekends does not occur; events are frequently held at the facility on weekends that are open to the public and for testing non-PCC students.</li> <li>▪ Building physical access security procedures specifically designed for the Aviation Center building do not exist.</li> </ul>
<b>Building Physical Access – Risks/Potential Consequences</b>
<ul style="list-style-type: none"> <li>▪ Lack of safety and security of students, employees, visitors and inventory.</li> <li>▪ Aviation parts removed and misused.</li> <li>▪ Theft of inventory.</li> <li>▪ PCC Law Enforcement resources utilized at the Aviation Center that could be deployed to other areas.</li> </ul>
<b>Building Physical Access – Causes of Findings</b>
Lack of staff building physical access security awareness and training.
<b>Building Physical Access – Recommendations</b>
<ul style="list-style-type: none"> <li>▪ Install building surveillance cameras, electronic badges and building alarms – or other similar systems and processes – enabling monitoring and control of building access.</li> <li>▪ Consult PCC Facilities and Law Enforcement for suggestions to improve access controls.</li> <li>▪ Create building physical access security procedures specifically for the Aviation Center and train staff and students on the new procedures.</li> </ul>

Finding #2  
 Management's Corrective Action Plan

Finding Details	Action	Start/Complete Dates	Comments
No Building Access Procedures	Assemble committee to create building access and security procedures and recommend surveillance system.	Form committee by: October 31, 2014  Committee report by: November 15, 2014	
No Surveillance Cameras or Alarms	Purchase and install access and surveillance systems.	Secure resource commitment from Finance by: November 15, 2014  Install and activate security/surveillance system by: April 30, 2015	Implementation will require funding support from Finance and physical support from Facilities and Law Enforcement.

**AUD.FY14-01 - Finding 3**

**Student information controls are inadequate.**

Maintaining strong controls over student information is critical to the College and students. The *Family Educational Rights and Privacy Act (FERPA)* requires that student records are adequately controlled.

Student Information Control Cycle



<b>Student Information Controls - Specific Finding Details</b>
<ul style="list-style-type: none"> <li>▪ Unsecured student academic records observed near a public lobby on multiple occasions.</li> <li>▪ Documentation was not available confirming that an Aviation Center volunteer that worked with student records received FERPA training.</li> <li>▪ Original student academic records are stored in an Aviation Center room that periodically floods.</li> <li>▪ Electronic student academic document scanning is not performed in a timely manner; it is performed several semesters after the student graduates.</li> <li>▪ Segregation of duties is not maintained; one non-academic staff member conducts new student admission testing and also creates and mails the new student acceptance letters.</li> </ul>
<b>Student Information Controls - Risks/Potential Consequences</b>
<ul style="list-style-type: none"> <li>▪ FERPA violations.</li> <li>▪ Non-compliance with FAA requirements and potential FAA audit issues.</li> <li>▪ Records lost, stolen or destroyed.</li> </ul>
<b>Student Information Controls - Causes</b>
<ul style="list-style-type: none"> <li>▪ Understaffing in student records processing area.</li> <li>▪ Lack of a secured, weather-proof location to store student records.</li> <li>▪ Processes to ensure volunteers received proper training are not in place.</li> </ul>
<b>Student Information Controls - Recommendations</b>
<ul style="list-style-type: none"> <li>▪ Student academic records are secured in locked cabinets when not being actively processed</li> <li>▪ FERPA training provided to all volunteers prior to working with student records and training records documented and retained.</li> <li>▪ Scanning of student records is completed, at a minimum, at the end of each semester.</li> <li>▪ Adequate storage facilities created and/or utilized to store student records.</li> <li>▪ Additional staff members are trained as a backup for student records administration.</li> <li>▪ Create an appropriate segregation of duties for student testing and acceptance (e.g. admissions testing and a new student admissions letters duties performed by different individuals).</li> </ul>





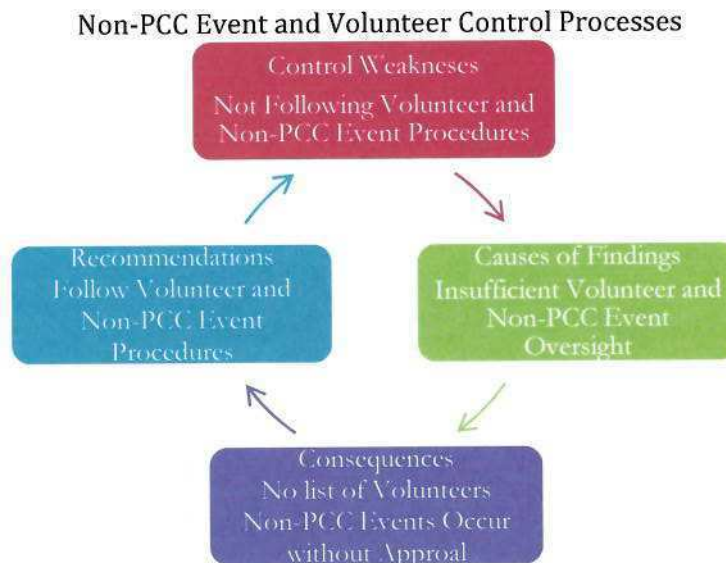
Finding #3  
 Management's Corrective Action Plan

Finding Details	Action	Start/Complete Dates	Comments
Unsecured Student Records	Secure student academic records in locked cabinets when not being actively processed	Complete.  Records have been secured in a locked, temporary location.	Facility expansion with adequate storage has been approved and is final architectural design. Completion is estimated for Fall 2015
	Organize records and adopt standards for processing and tracking.	Revise process and implement by: November 1, 2014	
Inadequate storage facilities created and/or utilized to store student records.	Records maintained by the ATC to be reduced to match FAA requirements and stored in water-resistant containers.	Records stored in water-resistant containers by: October 30, 2014	
Scanning of records is not done in a timely manner	Scanning of student records to be completed in a timely manner. Temporary staff to be hired to resolve backlog.	Backlog to be eliminated by: October 30, 2014	Staffing issues with consistent and timely completion of record scanning addressed under GBC 02.
Volunteers Scanning Records	Provide and document FERPA training for all volunteers prior to assignment.	Complete.	Delete requirement to scan – Archive records older than 3 years per existing Pima Policy.
Understaffing observed in student records processing aspect of Aviation program.	Train additional staff members as a backup for student records administration.	Training student records administration to back up staff complete by: November 1, 2014	
Duties not segregated from one non-academic staff member who currently does both admission testing and sends out acceptance letters.	Segregate duties for student testing and acceptance (e.g. admissions testing and new student admissions letters duties).	Complete.	

**AUD.FY14 -01- Finding 4**

**Event and volunteer controls are inadequate.**

Standard controls for volunteers include a volunteer on-boarding process and criminal background checks for volunteers. In addition, use of College facilities should be pre-authorized and consistent with College goals, objectives and values.



<b>Event and Volunteer Controls - Specific Finding Details</b>
<ul style="list-style-type: none"> <li>▪ A list of all Aviation Center volunteers is not currently available.</li> <li>▪ Volunteers are working closely with high school students (minors) without adequate safeguards.</li> <li>▪ Documented Desert Vista Campus administration approval to utilize the facility for outside events is not always obtained prior to the event.</li> </ul>
<b>Event and Volunteer Controls - Risks/Potential Consequences</b>
<ul style="list-style-type: none"> <li>▪ Theft or damage of aviation parts, tools and equipment.</li> <li>▪ Accurate Facilities Requests Forms not available resulting in inaccurate record keeping.</li> <li>▪ Minors placed at risk or injured.</li> <li>▪ Increased liability to the College for unapproved events or insurance certificates not verified prior to the event.</li> <li>▪ Lost revenue due to user fees not collected for building use by outside entities.</li> </ul>
<b>Event and Volunteer Controls - Causes of Findings</b>
<ul style="list-style-type: none"> <li>▪ Volunteer background checks not completed prior to starting assignment.</li> <li>▪ Non-PCC event approval process is not followed.</li> </ul>
<b>Event and Volunteer Controls - Recommendations</b>
<ul style="list-style-type: none"> <li>▪ Create a current list of Aviation Center volunteers and provide the information with appropriate College departments.</li> <li>▪ Volunteers training, including FERPA training if working with student records and criminal background checks prior to starting their assignments.</li> <li>▪ Volunteer activities involving working with students (minors) are properly documented, authorized and supervised.</li> <li>▪ Documented facilities use approval obtained from Desert Vista Campus Administration prior to all outside events held at the facility.</li> <li>▪ Ensure insurance certificates are appropriate and provide sufficient liability coverage for all outside events.</li> </ul>

Finding #4  
 Management's Corrective Action Plan

Finding Details	Action	Start/Complete Dates	Comments
The Aviation Technology Center has not been consistently following volunteer and non-PCC event procedures.	Create a current list of Aviation Center volunteers and provide the information with appropriate College departments. Provide thorough training to all program volunteers before initiating volunteer work.	Complete	
	Complete PCC Volunteer form before initiating volunteer work.	Complete	
	Train faculty and staff on requirements for documenting, authorizing and supervising volunteers working with minors.	Training complete by: October 30, 2014	
	Document facilities use approval from Administration prior to outside events	Complete	Email published to all faculty and staff February 1, 2013 directing the requirement for use of Facilities Use Forms.
	Ensure insurance certificates are appropriate and that users provide sufficient liability coverage for all outside events.	Complete	Implemented: August 11, 2014

**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.**

The *State of Arizona's Conflict of Interest Law* includes standard controls that require employees business interest be disclosed. Employees are required annually to disclose their conflict of interests utilizing the *PCC Conflict of Interest Form*.

<b>Conflicts of Interest - Specific Finding Details</b>
Some faculty members operate their own part-time for-profit businesses or work for other aviation industry employers that are not disclosed on a <i>PCC Conflict of Interest Form</i> resulting in non-compliance with <i>PCC Personnel Policy Statement for College Employees, Section I.g. Conflict of Interest Policy</i> and the <i>State of Arizona's Conflict of Interest Law</i> .
<b>Conflicts of Interest - Risks/Potential Consequences</b>
<ul style="list-style-type: none"> <li>▪ Non-compliance with laws, regulations and College policies going undetected.</li> <li>▪ Personal and College interest conflicts resulting in negative impacts to the College.</li> </ul>
<b>Conflicts of Interest - Causes of Findings</b>
<ul style="list-style-type: none"> <li>▪ Faculty and staff unaware of their responsibility to fully disclose conflicts of interest.</li> </ul>
<b>Conflicts of Interest - Recommendation</b>
<ul style="list-style-type: none"> <li>▪ Management follow-up to ensure potential or actual conflicts of interest are disclosed at least annually utilizing the <i>PCC Conflict of Interest Form</i>.</li> <li>▪ Completed forms sent to the PCC District Office for review and follow-up.</li> </ul>

Finding #5

Management's Corrective Action Plan

Finding Details	Action	Start/Complete Dates	Comments
Personnel may operate part-time for-profit businesses or work for other aviation industry employers that are not disclosed on a <i>PCC on a Conflict of Interest Form</i>	Management follow-up to ensure potential or actual conflicts of interest are disclosed annually utilizing the <i>PCC Conflict of Interest Form</i> .	Management follow-up with ATC staff and faculty complete by: October 15, 2014  Completed Conflict of Interest forms to District office by: October 31, 2014	
	All faculty and staff to receive comprehensive training about AZ State and PCC Conflict of Interest requirements.	Training complete by: November 15, 2014	Addresses portions of Finding # 6.

**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.**

Standard internal controls include comprehensive written cash handling procedures that are followed to ensure proper accounting. Faculty members receive non-PCC supplemental income from different sources requiring proper cash handling controls.



<b>Cash Handling – Specific Finding Details</b>
Supplemental income is received by faculty from multiple sources in cash including: <ul style="list-style-type: none"> <li>▪ FAA certification testing of PCC and non-PCC students.</li> <li>▪ Part-time businesses, e.g. selling custom PCC Aviation Center logo shirts and hats to students.</li> </ul>
<b>Cash Handling – Risks/Potential Consequences</b>
<ul style="list-style-type: none"> <li>▪ Cash handling controls cannot be assured and cash is not properly accounted for.</li> <li>▪ Theft and fraud.</li> <li>▪ Inconsistent fees charged to students resulting in conflicts and complaints.</li> </ul>
<b>Cash Handling – Causes of Findings</b>
<ul style="list-style-type: none"> <li>▪ Incomplete cash handling procedures.</li> </ul>
<b>Cash Handling – Recommendations</b>
<ul style="list-style-type: none"> <li>▪ Create cash handling procedures for supplemental income and provide training to all staff and faculty.</li> <li>▪ Consider standardizing FAA certification testing processes, fees and procedures.</li> <li>▪ Include a new section in the ATC Student Handbook regarding processes for student fees for FAA testing and the purchase of supplemental items.</li> </ul>

**Finding #6**  
**Management's Corrective Action Plan**

Finding Details	Action	Start/Complete Dates	Comments
Faculty Supplemental Income for Student FAA Testing and Private Businesses	All faculty and staff to receive training in AZ State and PCC Conflict of Interest requirements.	Training to be completed by: November 15, 2014	Addressed by action under Finding # 5.
Cash handling procedures lack standardization and transparency.	Assemble a committee of stake holders and adopt internal comprehensive cash handling procedures that will be followed to ensure compliance with proper accounting.	Committee meets by: October 31, 2014  Procedures adopted and implemented: November 15, 2014	Committee must include Internal Auditor, faculty, staff, Finance representative, and General Counsel.

**GENERAL BUSINESS CONCERNS**

The items below were noted as items of general concern and are presented below for consideration. While these items are *not findings* or were outside of the scope of the audit, we recommend that management and staff address the concerns in an overall effort to improve Aviation Center operations

**AUD.FY14-01-GBC-01**

Aviation Center faculty pay levels are below aviation industry standards, resulting difficulty in recruitment and retention.

We recommend, consulting with Human Resources as needed, that an aviation industry compensation study be completed to determine if faculty pay levels are within current industry standards. Study results should be provided to Aviation Center Administration, Desert Vista Campus Administration and District Administration when available.

**Management Response:**

Aviation faculty compensation was addressed in 2014 Faculty Meet & Confer process. Aviation faculty approved to receive 12-month contracts effective with fiscal year 2014-15. A new taskforce (see Faculty Personnel Policy Statements, Appendix Q) will consider further measures to address occupational faculty qualifications and compensation.

**AUD.FY14-01-GBC-02**

Understaffing exists in various Aviation Center areas: the A&P Program was delayed from August 2013 to February 2014 due to insufficient faculty members and classroom space; there is no trained backup office administration specialist; advisors are not available onsite and the primary inventory storage room is understaffed and the Avionics inventory storage room is unmanned.

Proper staffing levels are necessary to ensure that business and academic objectives are met. Understaffing may lead to not accomplishing objectives, delays in providing services to students, and increased staff turnover.

**Management Response (GBC-02)**

A Human Resources study of staffing levels has been requested with a start date of October 31, 2014. However, if new positions are recommended, funding may not be available to support all or some of the positions.

**AUD.FY14-01 – GBC-03**

The Aviation Center receives significant seasonal flooding.

Significant flooding occurs routinely during the monsoon season at the Aviation Center. A significant flood occurred at the Aviation Center in September 2011 that destroyed ten student owned vehicles in the parking lot, damaged building carpeting and flooded the Student Records Storage room.

We recommend that PCC Facilities identify and implement flooding mitigation strategies for the Aviation Center.

**Management Response**

The Facilities Department is addressing the flooding issues with the Tucson Airport Authority.