



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County Community College District

Year Ended June 30, 2005



Debra K. Davenport
Auditor General

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Maricopa County Community College District
Single Audit Reporting Package
Year Ended June 30, 2005

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Issued Separately

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40 and was modified due to our reliance on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

December 5, 2005



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

Compliance

We have audited the compliance of Maricopa County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Maricopa County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and is described in the accompanying Schedule of Findings and Questioned Costs as item 05-101.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-101.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2005, and have issued our report thereon dated December 5, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40 and was modified due to our reliance on the report of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

February 17, 2006, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 5, 2005

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
U.S. Department of Agriculture					
Hispanic-Serving Institutions Education Grants	10.223		\$ 124,800	\$ 42,572	\$ 167,372
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	12,476		12,476
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	07-24-27	<u>9,577</u>		<u>9,577</u>
Total U. S. Department of Agriculture			<u>146,853</u>	<u>42,572</u>	<u>189,425</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants, passed through the City of Phoenix	14.218	110373	25,776		25,776
Empowerment Zones Program, passed through the City of Phoenix	14.244	114982, 114983, 115013	15,487		15,487
Community Development Block Grants/Brownfields Economic Development Initiative	14.246		279,319		279,319
Hispanic-Serving Institutions Assisting Communities	14.514		<u>362,234</u>		<u>362,234</u>
Total U.S. Department of Housing and Urban Development			<u>682,816</u>		<u>682,816</u>
U.S. Department of the Interior					
U.S. Geological Survey—Research and Data Collection	15.808		<u>84,774</u>		<u>84,774</u>
U.S. Department of Justice					
Violence Against Women Formula Grants, passed through the Governor's Office of Community and Family Programs	16.588	ST-IGA-04-4366-00	<u>58,594</u>		<u>58,594</u>
U.S. Department of Labor					
Employment Services and Job Training Pilots—Demonstrations and Research, passed through the American Association of Community Colleges	17.249	X-7046-9-00-80-60	795		795
WIA Cluster					
WIA Adult Program, passed through the City of Phoenix	17.258	111176	96,215		96,215
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	E5704034	<u>92,480</u>		<u>92,480</u>
Total WIA Cluster			<u>188,695</u>		<u>188,695</u>
Total U.S. Department of Labor			<u>189,490</u>		<u>189,490</u>
National Aeronautics and Space Administration					
Precollege Achievement of Excellence in Mathematics, Science, and Technology	43.NAG4-234		100,477		100,477
Estrella Mountain Center for Success in Math and Science	43.NAG5-12476		<u>34,594</u>		<u>34,594</u>
Total National Aeronautics and Space Administration			<u>135,071</u>		<u>135,071</u>
National Endowment for the Humanities					
Promotion of the Humanities—Federal/State Partnership, passed through the Arizona Humanities Council	45.129	GG39-4360-2005	<u>5,525</u>		<u>5,525</u>
National Science Foundation					
Engineering Grants	47.041		85,002		85,002
Education and Human Resources	47.076		1,708,736	72,666	1,781,402
Education and Human Resources, passed through the Albuquerque Technical Vocational Institute	47.076	2123-8224C	34,884		34,884
Education and Human Resources, passed through Arizona State University	47.076	03-009, 03-010, 03-011 05-544, F04US003, S05US003	188,867		188,867

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
Education and Human Resources, passed through Mohawk Valley Community College	47.076	DUE-0402263	\$ 18,900		\$ 18,900
Education and Human Resources, passed through the University of Arizona	47.076	Y541198	8,033	\$ 3,480	11,513
Education and Human Resources, passed through the University of South Florida	47.076	2106-364-LO-A	5,109		5,109
Total Education and Human Resources Program			<u>1,964,529</u>	<u>76,146</u>	<u>2,040,675</u>
Total National Science Foundation			<u>2,049,531</u>	<u>76,146</u>	<u>2,125,677</u>
U.S. Small Business Administration					
Small Business Development Center	59.037		<u>689,895</u>	<u>691,816</u>	<u>1,381,711</u>
U.S. Department of Education					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		1,606,614		1,606,614
Federal Family Education Loans	84.032		67,282,840		67,282,840
Federal Work-Study Program	84.033		2,005,167		2,005,167
Federal Perkins Loan Program—Federal Capital Contributions	84.038		1,330,494		1,330,494
Federal Pell Grant Program	84.063		54,697,504		54,697,504
Federal Direct Student Loans	84.268		9,305,148		9,305,148
Total Student Financial Assistance Cluster			<u>136,227,767</u>		<u>136,227,767</u>
TRIO Cluster					
TRIO—Student Support Services	84.042		374,693		374,693
TRIO—Upward Bound	84.047		225,551		225,551
Total TRIO Cluster			<u>600,244</u>		<u>600,244</u>
Adult Education—State Grant Program, passed through the Arizona Department of Education					
	84.002	04FAEABE-470579-02A, 05FAEABE-570579-02A, 05FAECIV-570579-01A	1,848,652		1,848,652
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education					
	84.010	05FAATTI-560034-03A	24,759		24,759
Special Education—Grants to States, passed through the Arizona Department of Education					
	84.027	05FESCBG-560034-01A	15,957		15,957
Higher Education—Institutional Aid					
	84.031		1,379,048		1,379,048
Vocational Education—Basic Grants to States, passed through the Arizona Department of Education					
	84.048	04FCTDBG-470570-02A, 05FCTDBG-570570-01A	1,144,199		1,144,199
Vocational Education—Basic Grants to States, passed through Michigan State Department of Labor					
	84.048	None	1,500		1,500
Total Vocational Education—Basic Grants to States Program			<u>1,145,699</u>		<u>1,145,699</u>
Vocational Education—National Programs, passed through the League for Innovation					
	84.051	V051B0200001	122,337		122,337
Leveraging Educational Assistance Partnership, passed through the Arizona Board of Regents					
	84.069	None	215,176		215,176
Fund for the Improvement of Postsecondary Education					
	84.116		367,968	4,000	371,968
Fund for the Improvement of Postsecondary Education, passed through Lockhaven University					
	84.116	None	799		799
Total Fund for the Improvement of Postsecondary Education			<u>368,767</u>	<u>4,000</u>	<u>372,767</u>
Minority Science and Engineering Improvement, passed through Clark Atlanta University					
	84.120	PIZ0A040106	1,787		1,787
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind, passed through the El Camino Community College District					
	84.160	H160A00009	3,196		3,196
Safe and Drug-free Schools and Communities—State Grants, passed through the Arizona Department of Education					
	84.186	05FBPIVB-560034-08A	800		800
Bilingual Education—Professional Development, passed through Arizona State University					
	84.195	2001065	45,241		45,241

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
Fund for the Improvement of Education	84.215		\$ 15,609		\$ 15,609
Tech-Prep Education, passed through the Arizona Department of Education	84.243	04FCTDTP-470576-01A, 04FCTDTP-470576-02A, 05FCTDTP-570576-01A	416,025	\$ 23,301	439,326
Tech-Prep Education, passed through Glendale Union High School District	84.243	None	7,229		7,229
Total Tech-Prep Education			<u>423,254</u>	<u>23,301</u>	<u>446,555</u>
Eisenhower Professional Development State Grants, passed through the Arizona Department of Education	84.281	04FAATII-460034-03A	270		270
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	04FAATVA-460034-04A	1,173		1,173
Education Technology State Grants, passed through the Arizona Department of Education	84.318	05FAAETF-460034-02A	551		551
Special Education—Personnel Preparation to Improve Services and Results for Children with Disabilities, passed through Arizona State University	84.325	H325H000087	979		979
Teacher Quality Enhancement Grants, passed through Arizona State University	84.336	00163,00173	193,969		193,969
Preparing Tomorrow's Teachers to Use Technology, passed through the Stevens Institute	84.342	527226-03	47,831		47,831
Early Childhood Educator Professional Development, passed through Arizona State University	84.349	S349A030112	166,938		166,938
Tech-Prep Demonstration Grants	84.353		136,091		136,091
Mathematics and Science Partnerships, passed through Scottsdale Unified School District	84.366	04FAAMSP-460725-26A	56,233		56,233
Improving Teacher Quality State Grants, passed through the Arizona Board of Regents	84.367	992003 02	123,866		123,866
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	05FAATII-560034-04A	4,388		4,388
Total Improving Teacher Quality State Grants			<u>128,254</u>		<u>128,254</u>
Total U.S. Department of Education			<u>143,170,582</u>	<u>27,301</u>	<u>143,197,883</u>
U.S. Department of Health and Human Services					
Head Start, passed through the Maricopa County Human Services Department	93.600	C-22-01-018-2	8,623		8,623
Corporation for National and Community Service					
Learn and Serve America—Higher Education	94.005		232,506	162,671	395,177
AmeriCorps, passed through the University of Denver	94.006	35830-315401	16,783		16,783
Total for Corporation for National and Community Service			<u>249,289</u>	<u>162,671</u>	<u>411,960</u>
U.S. Agency for International Development					
Benin Workforce Development, passed through the Association Liaison Office for University Cooperation in Development	98.unknown	HNE-A-00-97-0059-00	43,891		43,891
Total Expenditures of Federal Awards			<u>\$ 147,514,934</u>	<u>\$ 1,000,506</u>	<u>\$ 148,515,440</u>

See accompanying notes to schedule.

Maricopa County Community College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Maricopa County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2005 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Loans Outstanding

The expenditures reported on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program—Federal Capital Contributions (CFDA No. 84.038) included loan balances outstanding at June 30, 2005, of \$1,235,319.

Maricopa County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2005

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Material weakness identified in internal control over financial reporting?	_____	_____ X _____
Reportable condition identified not considered to be a material weakness?	_____	_____ X _____ <small>(None reported)</small>
Noncompliance material to the financial statements noted?	_____	_____ X _____

Federal Awards

Material weakness identified in internal control over major programs?	_____	_____ X _____
Reportable condition identified not considered to be a material weakness?	_____ X _____	_____

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	_____ X _____	_____
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program—Federal Capital Contributions
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$2,117,909

Auditee qualified as low-risk auditee?	_____ X _____	_____
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Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	_____	_____ X _____
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Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Federal Award Findings and Questioned Costs

05-101

Student Financial Assistance Cluster

CFDA No.: 84.007 **Federal Supplemental Educational Opportunity Grants**

84.032 **Federal Family Education Loans**

84.033 **Federal Work-Study Program**

84.038 **Federal Perkins Loans—Federal Capital Contribution**

84.063 **Federal Pell Grant Program**

84.268 **Federal Direct Student Loans**

U.S. Department of Education

Award Year: October 1, 2003 through September 30, 2004

Award Year: October 1, 2004 through September 30, 2005

Special Tests and Provisions

Questioned Cost: \$9,684

The District awarded financial assistance to students using the standard-term formula; however, they included open entry/open exit courses that were not always completed within the standard-term in its student financial aid calculations and payments. Open entry/open exit courses allow students to complete the course when set objectives are achieved, but may not be completed until after regular term classes are completed. However, the District did not establish procedures to monitor the completion of these open entry/open exit courses to adjust the amount or timing of subsequent financial aid payments. As a result, the District disbursed Federal Family Education Loans by payment period and made second disbursements of Pell aid to students enrolled in nonterm courses before those students completed the first payment period or failed to adjust the subsequent payments for open entry/open exit classes that were not completed. The District did not award or disburse assistance in accordance with 34 Code of Federal Regulations (CFR) §§668.4(b), 668.164(f)(2), 682.604(c)(7)(i), and 690.63(a)(4)(i).

Auditors noted that 2 of 53 students tested receiving federal student financial assistance were enrolled in open entry/open exit classes that were not completed within the standard term. These students were awarded additional Pell and FFEL aid before completing these classes, resulting in questioned costs of \$9,684. Auditing procedures were not extended to the remaining population of students receiving financial assistance, as it was not practical to determine how many students were enrolled in open entry/open exit classes that were not completed within the standard term.

This finding is considered a reportable condition and immaterial noncompliance with the Student Financial Assistance Cluster's special tests and provisions requirements.

To comply with 34 CFR §§668.4(b), 668.164(f)(2), 682.604(c)(7)(i), and 690.63(a)(4)(i), the District should award and disburse financial assistance to students in accordance with appropriate funding formulas.



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March 10, 2006

Ms. Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for the corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the fiscal year ended June 30, 2005 Schedule of Findings and Questioned Costs.

Sincerely,

Kimberly Brainard Granio, CPA
Acting Director of Financial Services and Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2005

Federal Award Findings and Questioned Costs

05-101

Student Financial Assistance Cluster

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants
84.032 Federal Family Education Loans
84.033 Federal Work-Study Program
84.038 Federal Perkins Loans—Federal Capital Contribution
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Contact Person: Kim Granio

Anticipated completion date: August 2006

Corrective Action Planned:

The District is in the process of reviewing all students for award years 04-05 and 05-06 that did not complete an open-entry/open-exit course within the term awarded. We are verifying that they were eligible for the aid they were awarded in accordance with 34 CFR §§668.4(b), 668.164(f)(2), 682.604(c)(7)(i), and 690.63(a)(4)(i). Any students found to have been awarded the incorrect amount will be recalculated using the appropriate formula and funds will be returned to the federal programs, as applicable.

In addition, the district is establishing procedures to monitor the completion of open-entry/open-exit courses that will allow us to determine if amounts awarded or the timing of subsequent disbursements needs to be adjusted. These procedures will be in place for the 06-07 award year.