



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County Community College District

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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Maricopa County Community College District
Single Audit Reporting Package
Year Ended June 30, 2006

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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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2006. Our report was modified to include a reference to our reliance on 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*. However, we noted certain matters that we will report to the District's management in a separate letter at a future date.

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 12, 2006



**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, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Schedule of Findings and Questioned Costs as items 06-101 through 06-105.

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 certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-101 through 06-105.

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 believe that none of the reportable conditions 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, 2006, and have issued our report thereon dated December 12, 2006. Our report was modified to include a reference to our reliance on 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 27, 2007, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 12, 2006

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

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		\$ 29,682	\$ 35,178	\$ 64,860
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	28,108		28,108
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	07-24-27	5,827		5,827
Total U.S. Department of Agriculture			<u>63,617</u>	<u>35,178</u>	<u>98,795</u>
U.S. Department of Army Material Command					
Basic Scientific Research	12.431		<u>137,934</u>		<u>137,934</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants, passed through the City of Phoenix	14.218	117976	10,226		10,226
Community Development Block Grants/Entitlement Grants, passed through the City of Mesa	14.218	8700	<u>42,578</u>		<u>42,578</u>
Total Community Development Block Grants/ Entitlement Grants			<u>52,804</u>		<u>52,804</u>
Empowerment Zones Program, passed through the City of Phoenix	14.244	114982, 114983, 115013	56,805		56,805
Community Development Block Grants/Brownfields Economic Development Initiative	14.246		40,577		40,577
Hispanic-Serving Institutions Assisting Communities	14.514		<u>28,001</u>		<u>28,001</u>
Total U.S. Department of Housing and Urban Development			<u>178,187</u>		<u>178,187</u>
U.S. Department of the Interior					
U.S. Geological Survey—Research and Data Collection	15.808		<u>70,230</u>		<u>70,230</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	8,555		8,555
WIA Cluster					
WIA Adult Program, passed through the City of Phoenix	17.258	111176	41,698		41,698
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	E5704034	<u>13,747</u>		<u>13,747</u>
Total WIA Cluster			<u>55,445</u>		<u>55,445</u>
Total U.S. Department of Labor			<u>64,000</u>		<u>64,000</u>
National Aeronautics and Space Administration					
Precollege Achievement of Excellence in Mathematics, Science, and Technology	43.NAG4-234		<u>78,843</u>		<u>78,843</u>
National Endowment for the Arts					
Promotion of the Arts—Grants to Organizations and Individuals, passed through Dance USA	45.024	None	<u>8,000</u>		<u>8,000</u>
National Endowment for the Humanities					
Promotion of the Humanities—Federal/State Partnership, passed through the Arizona Humanities Council	45.129	GG43-4617-2006	<u>2,954</u>		<u>2,954</u>
National Science Foundation					
Engineering Grants	47.041		158,015	13,196	171,211
Education and Human Resources	47.076		1,943,776	70,489	2,014,265

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(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 the Albuquerque Technical Vocational Institute	47.076	2123-8224C	\$ 26,336		\$ 26,336
Education and Human Resources, passed through Arizona State University	47.076	03-011, 05-544, F05US006, F05US001, S06US002, S06US003	94,711		94,711
Education and Human Resources, passed through Mohawk Valley Community College	47.076	DUE-0402263	1,590		1,590
Total Education and Human Resources Program			<u>2,066,413</u>	\$ 70,489	<u>2,136,902</u>
Total National Science Foundation			<u>2,224,428</u>	<u>83,685</u>	<u>2,308,113</u>
U.S. Small Business Administration					
Small Business Development Center	59.037		<u>612,037</u>	<u>764,350</u>	<u>1,376,387</u>
U.S. Department of Education					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		1,658,320		1,658,320
Federal Family Education Loans	84.032		69,267,645		69,267,645
Federal Work-Study Program	84.033		1,797,702		1,797,702
Federal Perkins Loan Program—Federal Capital Contributions	84.038		1,110,749		1,110,749
Federal Pell Grant Program	84.063		48,512,909		48,512,909
Federal Direct Student Loans	84.268		<u>9,419,500</u>		<u>9,419,500</u>
Total Student Financial Assistance Cluster			<u>131,766,825</u>		<u>131,766,825</u>
TRIO Cluster					
TRIO—Student Support Services	84.042		654,567		654,567
TRIO—Upward Bound	84.047		<u>236,674</u>		<u>236,674</u>
Total TRIO Cluster			<u>891,241</u>		<u>891,241</u>
Adult Education—State Grant Program, passed through the Arizona Department of Education					
	84.002	06FAEABE-670579-03, 06FAECIV-670579-02,	2,526,196		2,526,196
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education					
	84.010	06FAATTI-660034-02A	44,191		44,191
Special Education—Grants to States, passed through the Arizona Department of Education					
	84.027	06FESCBG-660034-01A	24,537		24,537
Higher Education—Institutional Aid					
Vocational Education—Basic Grants to States, passed through the Arizona Department of Education	84.031		620,533		620,533
	84.048	05FCTDBG-570570-01A 06FCTDBG-670570-01A	1,022,281		1,022,281
Vocational Education—National Programs, passed through the League for Innovation					
	84.051	V051B0200001	88,509		88,509
Leveraging Educational Assistance Partnership, passed through the Arizona Commission for Postsecondary Education					
	84.069	None	206,897		206,897
Fund for the Improvement of Postsecondary Education					
Fund for the Improvement of Postsecondary Education, passec through Lockhaven University	84.116	None	520,254	5,000	525,254
	84.116	None	<u>183</u>		<u>183</u>
Total Fund for the Improvement of Postsecondary Education			<u>520,437</u>	<u>5,000</u>	<u>525,437</u>
Minority Science and Engineering Improvement, passed through Clark Atlanta University					
	84.120	PI20A040106	509		509
Rehabilitation Services—Vocational Rehabilitation Grants to States, passed through the Arizona Department of Economic Security					
	84.126	DES060661-1	205,805		205,805
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind, passed through the El Camino Community College District					
	84.160	H160A00009	2,643		2,643
Safe and Drug-Free Schools and Communities—State Grants, passed through the Arizona Department of Education					
	84.186	06FBPIVB-660034-05A	866		866

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(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)
Tech-Prep Education, passed through the Arizona Department of Education	84.243	05FCTDTP-570576-01A, 06FCTDTP-670576-01A	\$ 342,312	\$ 58,262	\$ 400,574
Tech-Prep Education, passed through Glendale Union High School District	84.243	None	1,318		1,318
Tech-Prep Education, passed through Peoria Unified School District	84.243	None	<u>120</u>		<u>120</u>
Total Tech-Prep Education			<u>343,750</u>	<u>58,262</u>	<u>402,012</u>
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	06FAATVA-660034-04A	1,092		1,092
Child Care Access Means Parents in School	84.335		27,767		27,767
Teacher Quality Enhancement Grants, passed through Arizona State University	84.336	00163,00173	142,188		142,188
Preparing Tomorrow's Teachers to Use Technology, passed through the Stevens Institute	84.342	527226-03	63,252		63,252
Early Childhood Educator Professional Development, passed through Arizona State University	84.349	S349A030112	41,814		41,814
Tech-Prep Demonstration Grants	84.353		134,116		134,116
Mathematics and Science Partnerships, passed through Scottsdale Unified School District	84.366	05FAAMSP-560725-25A	77,220		77,220
Mathematics and Science Partnerships, passed through Deer Valley Unified School District	84.366	06FSEMP-660687-24A	<u>11,358</u>		<u>11,358</u>
Total Mathematics and Science Partnerships			<u>88,578</u>		<u>88,578</u>
Improving Teacher Quality State Grants, passed through the Arizona Board of Regents	84.367	992003 02	138,066		138,066
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	06FAATII-660034-03A	<u>3,851</u>		<u>3,851</u>
Total Improving Teacher Quality State Grants			<u>141,917</u>		<u>141,917</u>
Total U.S. Department of Education			<u>138,905,944</u>	<u>63,262</u>	<u>138,969,206</u>
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services—Projects of Regional and National Significance, passed through University of Oklahoma Health Sciences Center	93.243	U79SM57278-01	9,849		9,849
Nurse Education, Practice and Retention Grants	93.359		141,247		141,247
Refugee and Entrant Assistance—Discretionary Grants, passed through the Arizona Department of Education	93.576	06-FAARCG-66034-08A	196		196
Head Start, passed through the Maricopa County Human Services Department	93.600	C-22-01-018-2	<u>7,461</u>		<u>7,461</u>
Total U.S. Department of Health and Human Services			<u>158,753</u>		<u>158,753</u>
Corporation for National and Community Service					
Learn and Serve America—Higher Education	94.005		203,970	179,081	383,051
AmeriCorps, passed through Colorado Campus Compact Planning and Program Development Grants	94.006 94.007	None	12,069 <u>14,396</u>		12,069 <u>14,396</u>
Total Corporation for National and Community Service			<u>230,435</u>	<u>179,081</u>	<u>409,516</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	<u>47,474</u>		<u>47,474</u>
Total Expenditures of Federal Awards			<u>\$ 142,782,836</u>	<u>\$ 1,125,556</u>	<u>\$ 143,908,392</u>

See accompanying notes to schedule.

Maricopa County Community College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

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 2006 *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, 2006, of \$1,046,228.

Maricopa County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2006

Summary of Auditors' Results

Financial Statements

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

Federal Awards

Material weakness identified in internal control over major programs?	<u> </u>	<u> X </u>
Reportable conditions identified not considered to be material weaknesses?	<u> X </u>	<u> </u>

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])?	<u> X </u>	<u> </u>

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
47.076	Education and Human Resources
84.002	Adult Education—State Grant Program
	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:	\$1,925,251	
Auditee qualified as low-risk auditee?	<u> X </u>	<u> </u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> X </u>	<u> </u>
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Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Federal Award Findings and Questioned Costs

06-101

CFDA No.: 47.076 **Education and Human Resources**, #s DUE-0501626, DUE-0302523, DUE-0402075, DUE-0220800, DUE-0220755, DUE-0422512, DUE-0324025, DUE-0501854, DUE-0202240, DUE-0455394, DUE-0603491, DUE-0603379, ESI-0353469, ESI-0101998 (direct grants); 2123-8224C (passed through from Albuquerque Technical Vocational Institute); 03-011, 05-544, F05US006, F05US001, S06US002, and S06US003 (passed through from Arizona State University); and DUE-0402263 (passed through from Mohawk Valley Community College)

National Science Foundation

Award Period: July 1, 2005 through June 30, 2006

Questioned Cost: \$55,323

The District did not establish formal policies addressing approval and required documentation for special service employment used to pay employees for temporary services that are beyond their normal hours of employment and job responsibilities. In addition, the District did not follow informal procedures that required special service employment contracts to be approved prior to work being performed. As a result, auditors were unable to ensure compliance with activities allowed or unallowed and allowable costs and cost principles compliance requirements. Specifically, for 15 of 16 special service contracts tested, the contracts were not approved until after the work was performed or were approved while the work was being performed, or there was no date indicating when the contracts were approved. Further, there was no additional documentation to determine that the employees performed the work. As a result, auditors were unable to determine for the 15 contracts, totaling \$55,323, if approval was granted prior to the employee beginning the contracted work and whether the employee performed the work. The special service employment contracts during fiscal year 2006 were \$130,916 of federal program expenditures. This finding has the potential to affect other district federal programs.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a reportable condition and immaterial noncompliance over the activities allowed or unallowed and allowable costs/cost principles compliance requirements.

The District should ensure that each college is following the District's informal procedures when using special service employment contracts. In addition, the District should establish formal policies and procedures that require contracts to be approved prior to work being started and documentation of the completed work.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-102

CFDA No.: 47.076 **Education and Human Resources**, #s DUE-0501626, DUE-0302523, DUE-0402075, DUE-0220800, DUE-0220755, DUE-0422512, DUE-0324025, DUE-0501854, DUE-0202240, DUE-0455394, DUE-0603491, DUE-0603379, ESI-0353469, ESI-0101998 (direct grants); 2123-8224C (passed through from Albuquerque Technical Vocational Institute); 03-011, 05-544, F05US006, F05US001, S06US002, and S06US003 (passed through from Arizona State University); and DUE-0402263 (passed through from Mohawk Valley Community College)

National Science Foundation

Award Period: July 1, 2005 through June 30, 2006

Questioned Cost: \$13,500

Mesa Community College did not have adequate internal controls to ensure that only eligible students received National Science Foundation (NSF) computer science, engineering, and mathematics scholarships awards that were funded under contract #DUE-0220800. Specifically, for all scholarships awarded during the period July 1, 2005 through June 30, 2006, five students did not demonstrate a need as outlined by the U.S. Department of Education guidelines for federal financial aid. These students were awarded a combined total of \$13,500 in scholarships for that period. The District awarded a total of \$153,750 in scholarships at the three participating colleges.

This finding is a reportable condition and immaterial noncompliance over the activities allowed or unallowed and eligibility compliance requirements.

To comply with the NSF Publication 02-006 and strengthen internal controls, Mesa Community College should establish policies and procedures to ensure that NSF scholarships are awarded to only eligible students.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-103

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 Loan Program—Federal Capital Contributions**

84.063 **Federal Pell Grant Program**

84.268 **Federal Direct Student Loans**

U.S. Department of Education

Award Period: July 1, 2005 through June 30, 2006

Questioned Cost: Unknown

The District is required to notify the Secretary of Education or guaranty agency within 30 days when a student who receives a Stafford, Unsubsidized Stafford, or Federal PLUS Federal Family Education Loan ceases to be enrolled at least half time unless it expects to submit its next student status confirmation report (SSCR) within the next 60 days. The District's procedures are to have each community college submit a SSCR every 60 days and not notify the guarantor agency or Secretary within 30 days every time a student changes their enrollment status. However, Mesa Community and Rio Salado Colleges did not submit SSCRs every 60 days. Auditors noted three instances for which SSCRs were not submitted for 97, 119, and 138 days.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a reportable condition and immaterial noncompliance over the special tests and provisions compliance requirement.

To comply with 34 Code of Federal Regulations (CFR) §682.610, the District should ensure that each college is either submitting a SSCR every 60 days or notifying guaranty agencies within 30 days when a Stafford, Unsubsidized Stafford, or Federal PLUS loan recipient ceases to be enrolled at least half time.

06-104

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 Loan Program—Federal Capital Contributions**

84.063 **Federal Pell Grant Program**

84.268 **Federal Direct Student Loans**

U.S. Department of Education

Award Period: July 1, 2005 through June 30, 2006

Questioned Cost: Unknown

The District did not have adequate internal controls to ensure that its community colleges were requesting and disbursing federal family education loans (FFEL) to students within the designated time frames outlined in 34 CFR §§668.164(f) and 167(a). The earliest the District may disburse an initial installment of a loan under the FFEL program is either 30 days after the first day of the students program of study for a first-year, first-time borrower or 10 days before the first day of classes for all other borrowers. In addition, the District may not request monies from the lender until 3 days before it plans to disburse the loans to the

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

borrowers. Auditors noted that for 7 out of 53 students tested, the District disbursed monies to students between 1 to 17 days early. Further, for an additional two students, the District disbursed loans to students 5 and 6 days after receipt and not within 3 days. Auditors did not note any questioned costs for the sample items tested. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a reportable condition and immaterial noncompliance over the special tests and provisions compliance requirement.

To comply with 34 CFR §§668.164(f) and 668.167(a), the District should monitor when federal loans are disbursed to students. Also, the District should ensure that federal loan monies are not held longer than 3 days before disbursement.

06-105

CFDA No.: 84.002 **Adult Education—State Grant Program**

U.S. Department of Education passed through from the Arizona Department of Education, #s 06FAEABE-670579-03 and 06FAECIV-670579-02

Award Period: July 1, 2005 through June 30, 2006

Questioned Cost: Unknown

The District did not have adequate internal control policies and procedures to ensure compliance with procurement and suspension and debarment requirements. Specifically, for 3 of 13 vendors tested who were paid over \$10,000 in program expenditures for the period July 1, 2005 through June 30, 2006, the District did not have sufficient documentation to determine the purchases were made in accordance with the District's procurement policies and procedures. The District did not maintain documentation justifying that two vendors were properly classified as sole source vendors. Also, for another vendor, the District performed due diligence on selecting a cooperative purchasing agency; however, the District did not document that the contract complied with the District's procurement policies and procedures. Finally, the District did not require vendors who were paid over \$25,000 to certify that they had not been suspended or debarred from doing business by the federal government. Auditors verified that none of these vendors tested in the population were suspended or debarred. This finding has the potential to affect other district federal programs for which employees purchase goods and services.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a reportable condition and immaterial noncompliance with the program's procurement and suspension and debarment requirements.

To help ensure compliance with 34 CFR §§80.35 and 80.36, the District should document sole source determinations when a vendor is the only source available to purchase goods and services. In addition, to ensure that all purchases comply with the District's procurement policies and procedures, the District should perform and document due-diligence procedures for at least a sample of the contracts that the District uses from a purchasing cooperative to ensure that cooperative contracts were bid in accordance with the District's policies. Finally, for all purchases over \$25,000, the District should require the vendor to certify that it had not been suspended or debarred from doing business by the federal government.



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March 26, 2007

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 findings included in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2006.

Sincerely,

Kimberly Brainard Granio, CPA
Director, Financial Services and Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2006

Federal Award Findings and Questioned Costs

06-101

CFDA No.: 47.076 Education and Human Resources, #s #s DUE-0501626, DUE-0302523, DUE-0402075, DUE-0220800, DUE-0220755, DUE-0422512, DUE-0324025, DUE-0501854, DUE-0202240, DUE-0455394, DUE-0603491, DUE-0603379, ESI-0353469, ESI-0101998 (direct grants); 2123-8224C (passed through from Albuquerque Technical Vocational Institute); 03-011, 05-544, F05US006, F05US001, S06US002, and S06US003 (passed through from Arizona State University); and DUE-0402263 (passed through from Mohawk Valley Community College)

Contact person: Kim Granio

Anticipated completion date: July 2007

Corrective Action Planned:

On February 27, 2007, the District's Governing Board approved changes to its policy regarding Special Service Employment Contracts. Included in those changes were two additions requiring that all contracts are approved prior to the beginning of the assignment and that the completion of the contracted work is adequately documented. The District will begin to implement these changes immediately.

06-102

CFDA No.: 47.076 Education and Human Resources, DUE-0501626, DUE-0302523, DUE-0402075, DUE-0220800, DUE-0220755, DUE-0422512, DUE-0324025, DUE-0501854, DUE-0202240, DUE-0455394, DUE-0603491, DUE-0603379, ESI-0353469, ESI-0101998 (direct grants); 2123-8224C (passed through from Albuquerque Technical Vocational Institute); 03-011, 05-544, F05US006, F05US001, S06US002, and S06US003 (passed through from Arizona State University); and DUE-0402263 (passed through from Mohawk Valley Community College)

Contact person: Michelle Paul

Anticipated completion date: Spring 2007

Corrective Action Planned:

Effective Spring 2007, all candidates that are selected for a National Science Foundation Computer Science, Engineering, and Mathematics Scholarships (CSEMS) award will be required to complete a FAFSA which will be reviewed by Mesa Community College's Financial Aid Office to determine need and eligibility prior to awarding the scholarship.

06-103

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 Loan Program-Federal Capital Contributions
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Contact person: Kim Granio

Anticipated completion date: March 2007

Corrective Action Planned:

Mesa Community College submitted changes in March 2007 through National Student Loan Data System (NSLDS) to have Student Status Confirmation Reports (SSCR) run monthly. This change will take place on 6/1/07 as the May 1st report was already scheduled to run. Rio Salado College changed to a monthly SSCR through NSLDS in February 2006 and has received the reports as requested. So no additional changes will be made for Rio Salado College.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2006

06-104

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 Loan Program-Federal Capital Contributions
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Contact person: Kim Granio

Anticipated completion date: March 2007

Corrective Action Planned:

The District will better monitor when federal loan funds are requested and disbursed as well as remind all Financial Aid offices to document any exceptions that are made. Furthermore, our new student information system set for implementation in October 2007 will include functionality that automates the request and disbursement process based on the start of classes for the payment period.

06-105

CFDA No.: 84.002 Adult Education—State Grant Program

Contact person: Mike McIntier

Anticipated completion date: March 2007

Corrective Action Planned:

All buyers have been reminded to document all sole source procurements. The District's written purchasing procedures have been modified to agree with its current practice of identifying purchases of educational materials directly from the publisher as sole source procurements without the need for additional written justification. The District did exercise due diligence by reviewing its membership and participation in the cooperative purchasing organization that was used in the transaction tested. Membership and participation in any and all cooperative purchasing organizations is reviewed and analyzed prior to any use of those contracts by the District. The District has implemented an automatic notification to all Buyers and the Purchasing Manager of approved requisitions that have Federal funds associated with them and each of those vendors will be checked against the Federal debarment and suspension list.



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March 26, 2007

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

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards.

Sincerely,

Kimberly Brainard Granio, CPA
Director, Financial Services & Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

Status of Federal Award Findings and Questioned Costs

Finding No. 05-101
Status: Fully Corrected