



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County Community College District

Year Ended June 30, 2012



Debra K. Davenport
Auditor General

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Maricopa County Community College District
Single Audit Reporting Package
Year Ended June 30, 2012

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 Maricopa County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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.

As described in item 12-106 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the reporting requirement that is applicable to its Higher Education—Institutional Aid program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Maricopa County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other 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 12-103.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-102, 12-103, 12-104, and 12-106 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-101 and 12-105 to be significant deficiencies.

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, 2012, and have issued our report thereon dated November 27, 2012, that contained an unqualified opinion on those financial statements. Our report was modified to include a reference to our reliance on other

auditors. Our audit was conducted for the purpose of forming our 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 is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maricopa County Community College District's responses to the findings identified in our audit are presented on pages 17 through 20. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, others within the District, 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.

Jay Zsorey, CPA
Financial Audit Director

March 28, 2013

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Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Program Title/Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
U.S. Department of Agriculture					
Child Nutrition Cluster					
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	\$ 61,104		\$ 61,104
Total Child Nutrition Cluster			<u>61,104</u>		<u>61,104</u>
Hispanic Serving Institutions Education Grants	10.223		108,996		108,996
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	07-24-2007	19,529		19,529
Total U.S. Department of Agriculture			<u>189,629</u>		<u>189,629</u>
U.S. Department of Commerce					
Economic Development Cluster					
Investments for Public Works and Economic Development Facilities	11.300		897,603		897,603
Total Economic Development Cluster			<u>897,603</u>		<u>897,603</u>
U.S. Department of Defense					
Procurement Technical Assistance for Business Firms	12.002		183,161		183,161
U.S. Department of the Interior					
Rangeland Resource Management	15.237		36,429		36,429
U.S. Department of Labor					
Incentive Grants—WIA Section 503, passed through the Arizona Department of Education	17.267	12FAEAEI-270579-07A 12FAECCP-270579-08A	86,030		86,030
Incentive Grants—WIA Section 503, passed through the Arizona Department of Economic Security	17.267	P1-22165-11-55-A-4	5		5
Total Incentive Grants—WIA Section 503			<u>86,035</u>		<u>86,035</u>
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		96,325		96,325
Total U.S. Department of Labor			<u>182,360</u>		<u>182,360</u>
U.S. Department of State					
Academic Exchange Programs—Undergraduate Programs, passed through Northern Virginia Community College	19.009	S-ECAAS-11-CA-097 S-ECAAS-12-CA-050	223,441		223,441
National Aeronautics and Space Administration					
Science, passed through the University of Arizona	43.001	P383119	16,836		16,836
National Endowment for the Arts					
Promotion of the Arts—Grants to Organizations and Individuals, passed through the Arizona Commission for the Arts	45.024	120179	1,500		1,500
National Endowment for the Humanities					
Promotion of the Humanities—Federal/State Partnership, passed through the Arizona Humanities Council	45.129	GC06-5510-2011 GC23-5604-2011	3,910		3,910
Institute of Museum and Library Services					
Grants to States, passed through the Arizona Department of Library, Archives, and Public Records	45.310	None	2,635		2,635
National Science Foundation					
Education and Human Resources	47.076		1,434,066		1,434,066
Education and Human Resources, passed through Northern Arizona University	47.076	SLC329X-1	43,712		43,712

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
Education and Human Resources, passed through Pennsylvania State University	47.076	3785-MATEC-NSF-2498	\$ 70,488		\$ 70,488
Education and Human Resources, passed through University of New Mexico	47.076	271343-87M8 271343-87M6	31,963		31,963
Education and Human Resources, passed through Arizona State University	47.076	V11US002/V2011us0003 F11US001/F2011us0004 S12US001/S2012us0001 V12HS001/V2012sb0005 V2012sb0013/V12HS004	8,270	-	8,270
Total Education and Human Resources			<u>1,588,499</u>	-	<u>1,588,499</u>
Total National Science Foundation			<u>1,588,499</u>	-	<u>1,588,499</u>
U.S. Small Business Administration					
Small Business Development Centers	59.037		1,425,440	\$1,056,887	2,482,327
Small Business Development Centers, passed through Colorado Office of Development and International Trade	59.037	SBAHQ-10-V-0003	13,053	5,647	18,700
Total U.S. Small Business Administration			<u>1,438,493</u>	<u>1,062,534</u>	<u>2,501,027</u>
U.S. Department of Energy					
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123		908,837		908,837
U.S. Department of Education					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education	84.010	12FT1TTI-260034-01A 11FAATTI-160034-04A	128,742		128,742
Total Title I, Part A Cluster			<u>128,742</u>		<u>128,742</u>
Special Education Cluster (IDEA)					
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	12FESCBG-260034-03A	42,374		42,374
Total Special Education Cluster (IDEA)			<u>42,374</u>		<u>42,374</u>
TRIO Cluster					
TRIO—Student Support Services	84.042		712,937		712,937
TRIO—Upward Bound	84.047		514,730		514,730
Total TRIO Cluster			<u>1,227,667</u>		<u>1,227,667</u>
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	12FAEABE-270579-03A 12FAEECS-270579-05A 12FAEETE-270579-06A 12FAEAEF-270579-04A 12FAECIV-270579-02A	2,501,155 2,146,225		2,501,155 2,146,225
Higher Education—Institutional Aid	84.031				
Career and Technical Education—Basic Grants to States, passed through the Arizona Department of Education	84.048	11FCTDBG-170570-01A 12FCTDBG-270570-01A	832,045 245,855		832,045 245,855
Fund for the Improvement of Postsecondary Education	84.116				
Tech-Prep Education, passed through the Arizona Department of Education	84.243	11FCTDTP-170576-01A	60,972	8,902	69,874
Child Care Access Means Parents in School	84.335		129,479		129,479
Transition to Teaching, passed through the Arizona Department of Education	84.350	12FAATRT-270584-01A 12FAATRT-270579-01A	3,244		3,244
English Language Acquisition State Grants	84.365		5,216		5,216

(Continued)

See accompanying notes to schedule.

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	11FAATII-160034-05A 12FT1TII-260034-02A	\$ 13,591		\$ 13,591
ARRA—Title I Grants to Local Educational Agencies, Recovery Act, passed through the Arizona Department of Education	84.389	12FT1ACS-260034-04A	6,822		6,822
ARRA—Special Education Grants to States, Recovery Act, passed through the Arizona Department of Education	84.391	11FESAIG-170585-04A 11FESAIG-160034-06A	20,999		20,999
ARRA—Education Jobs Fund, passed through the Arizona Department of Education	84.410	11FAAEJB-160034-02A	1,164		1,164
Total U.S. Department of Education			<u>7,365,550</u>	<u>\$ 8,902</u>	<u>7,374,452</u>
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services—Projects of Regional and National Significance, passed through the University of Oklahoma Health Sciences Center	93.243	U79 SM57278-05	32,316		32,316
ARRA—Health Information Technology Professionals in Health Care, passed through Los Rios Community College	93.721	759107	440,721		440,721
Total U.S. Department of Health and Human Services			<u>473,037</u>		<u>473,037</u>
Corporation for National and Community Service					
AmeriCorps, passed through the Colorado Campus Compact	94.006	None	19,547	-	19,547
Total Corporation for National and Community Service			<u>19,547</u>	<u>-</u>	<u>19,547</u>
Student Financial Assistance Cluster					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007		2,261,799		2,261,799
Federal Work-Study Program	84.033		2,024,599		2,024,599
Federal Perkins Loan Program—Federal Capital Contributions	84.038		648,072		648,072
Federal Pell Grant Program	84.063		195,735,644		195,735,644
Federal Direct Student Loans	84.268		217,580,164		217,580,164
Total U.S. Department of Education			<u>418,250,278</u>		<u>418,250,278</u>
U.S. Department of Health and Human Services					
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		72,949		72,949
Total Student Financial Assistance Cluster			<u>418,323,227</u>		<u>418,323,227</u>
Total Expenditures of Federal Awards			<u>\$ 431,854,694</u>	<u>\$1,071,436</u>	<u>\$ 432,926,130</u>

See accompanying notes to schedule.

Maricopa County Community College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

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 2012 *Catalog of Federal Domestic Assistance*.

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, 2012, of \$644,949.

Maricopa County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weakness identified?	<u>X</u>	___
Significant deficiency identified?	___	<u>X</u>
Noncompliance material to the financial statements noted?	___	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u>X</u>	___
Significant deficiencies identified?	<u>X</u>	___
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for the Higher Education—Institutional Aid program, which was qualified.		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
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
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
	Economic Development Cluster:
11.300	Investments for Public Works and Economic Development Facilities
12.002	Procurement Technical Assistance for Business Firms
47.076	Education and Human Resources
81.123	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MIS) Program

Maricopa County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

CFDA Number	Name of Federal Program or Cluster
	TRIO Cluster:
84.042	TRIO—Student Support Services
84.047	TRIO—Upward Bound
84.002	Adult Education—Basic Grants to States
84.031	Higher Education—Institutional Aid
84.116	Fund for the Improvement of Postsecondary Education
93.721	ARRA—Health Information Technology Professionals in Health Care

Dollar threshold used to distinguish between Type A and Type B programs: \$438,087

	Yes	No
Auditee qualified as low-risk auditee?	—	<u>X</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>	—
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Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

Federal Award Findings and Questioned Costs

12-101

CFDA No.: 84.002 **Adult Education—Basic Grants to States**

U.S. Department of Education

Passed through the Arizona Department of Education

Award Period/Award Numbers: July 1, 2011 through June 30, 2012/12FAEABE-270579-03A, 12FAEECS-270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

Cash Management and Reporting

Student Financial Assistance Cluster:

CFDA Nos.: 84.007 **Federal Supplemental Educational Opportunity Grants**

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

CFDA No.: 93.925 **Scholarships for Health Professions Students from Disadvantaged Backgrounds**

U.S. Department of Health and Human Services

Award Period: July 1, 2011 through June 30, 2012

Cash Management

Questioned Cost: None

Criteria: In accordance with 34 Code of Federal Regulations (CFR) §74.21(b)(3), effective controls and accountability must be maintained over federal monies to ensure that they are used solely for authorized purposes. Therefore, all cash drawdown reimbursement requests and financial reports should be reviewed and approved for accuracy prior to submission.

Condition and context: The District did not always follow its procedures to ensure that requests for reimbursement of federal funds and financial reports were reviewed and approved prior to submission. Specifically, for the Student Financial Aid Cluster, auditors noted that 3 of 23 cash management reimbursement requests were not reviewed until approximately 2 weeks after submission to the grantor agency. In addition, for the Adult Education—Basic Grants to States program, auditors noted for one of four cash management/financial reports tested, there was no evidence of review and approval. Auditors further examined the remaining cash management and reimbursement reports submitted for both programs and noted that all cash management requests and financial reports submitted after October 2011 were properly reviewed and approved prior to submission.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Effect: The District could request reimbursement for costs not incurred and receive federal monies that it is not entitled to.

Cause: The controls designed by the District were not consistently applied due to staffing shortages and oversight of management prior to October 2011.

Recommendation: The District should ensure that supervisors review cash management reimbursement requests and financial reports for mathematical accuracy and compare amounts to supporting documentation prior to submitting them to the grantor. Evidence of the supervisor's review should be maintained.

This finding is similar to a prior-year finding.

12-102

CFDA No.: 47.076 **Education and Human Resources**

National Science Foundation

Award Period/Award Numbers: July 1, 2005 through February 28, 2017/DUE-0807063, DUE-1136435, DUE-0702753, DUE-1047576, DUE-0802487, DUE-1104294, DUE-0631133, DUE-0653206, DUE-0631180, DUE-0806987, DUE-1040932, DUE-1003542, DUE-0501626, DUE-1104159, DUE-0837451, DUE-1022980, DUE-1044463, DUE-1103080 (Direct Grants); 3785-MATEC-NSF-2498 (passed through from Pennsylvania State University); SLC329X-1 (passed through from Northern Arizona University); 271343-87M8 and 271343-87M6 (passed through from University of New Mexico); V2011us0003/V11US002, F2011us0004/F11US0001, S12US0001/S2012us0001, V2012sb0005/V12HS001, and V2012sb0013/V12HS004 (passed through from Arizona State University)

Eligibility

Questioned Costs: None

Criteria: To comply with 45 CFR §602.20, the auditee is responsible for maintaining internal control over federal programs that provides reasonable assurance that the auditee is in compliance with laws, regulations, and the provisions of its grant agreements. This includes maintaining documentation used in determining student eligibility and awarding of scholarship monies to the program.

Condition and context: Glendale Community College (College) did not follow the District's policies and procedures to document a student's eligibility to receive a scholarship under the program. Specifically, for 3 of 19 scholarships tested, the College did not maintain documentation to provide evidence that the student's scholarship was evaluated for eligibility and approved by program employees. This internal control weakness was isolated by auditors to the Fall 2011 scholarships awarded under the Scholarships and Support Equal Academic Achievement (grant number DUE 0806987) program. In total, the College awarded \$58,500 in Fall 2011 scholarships to students.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Effect: The College may have awarded federal monies to students who were not eligible. Auditors expanded test work at the College and determined that although the documentation was not maintained there were no instances of noncompliance noted.

Cause: The College shredded the evaluation and approval forms because they were unaware the documentation should have been retained.

Recommendation: The College should retain all documentation used during the selection process of its scholarships. This should include evaluations and ranking of students' eligibility to receive program funds. Records should be retained in accordance with the programs record retention requirements.

12-103

CFDA No.: 81.123 **National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program**

U.S. Department of Energy

Award Period/Award Numbers: October 1, 2010 through September 30, 2012/DE-FG52-06NA27576

Activities Allowed/Unallowed and Eligibility

Questioned Cost: \$1,216

Criteria: To comply with 10 CFR §600.121, the auditee is responsible for maintaining internal control over Federal programs that provides reasonable assurance that the auditee is in compliance with laws, regulations, and the provisions of its grant agreements. This includes maintaining documentation used in determining student eligibility and awarding of scholarship monies to the students in accordance with 10 CFR §600.6.

Condition and context: Through the Maricopa Achieving a College Education Program, the District offers scholarships to eligible participants that may be funded with National Nuclear Security Administration Minority Serving Institutions Program (NNSA) monies or local monies. The District's colleges did not follow uniform policies and procedures when documenting a student's eligibility to receive a scholarship under the program. In addition, there were no procedures designating when federal and local funds should be used. Specifically, for 4 of 44 students selected for test work, the scholarships were originally awarded by Estrella Mountain Community College with local monies, but NNSA monies were used to pay for the scholarships. Further, for all of its 11 scholarships awarded from Rio Salado College, there was no documentation retained to verify that the students' applications were reviewed and determined to be eligible to receive a scholarship. Auditors performed additional test work and determined that all students met the requirements to receive a scholarship from the federal program but were unable to determine if the change in funding for the 4 scholarships was proper.

Effect: Scholarships may have been provided to students who were not eligible. The District paid \$1,216 in federal monies to students who were originally approved to receive a scholarship from local monies. It was not practical to extend our auditing procedures sufficiently to determine additional questioned costs, if any, that may have resulted from this finding.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Cause: The District did not implement uniform procedures across the colleges for documenting eligibility determinations. Further, the District did not have written policies and procedures identifying which funding sources were to be used when awarding local and federal scholarships to the same population of students.

Recommendation: The District should ensure all colleges implement similar policies and procedures to retain documentation of eligibility determinations, such as a selection review form. Further, the District should establish policies and procedures to identify which funding sources should be used when awarding local and federal scholarships to the same population of students.

12-104

CFDA No.: 84.002 **Adult Education—Basic Grants to States**

U.S. Department of Education

Passed through the Arizona Department of Education

Award Period/Award Numbers: July 1, 2011 through June 30, 2012/12FAEABE-270579-03A, 12FAEECS-270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

Allowable Costs/Cost Principles and Matching

Questioned Cost: Unknown

Criteria: The District should have effective policies and procedures to ensure that employee compensation charged to federal programs is properly supported by records and reasonably represents actual time and effort worked on federal programs. 2 CFR §220, Appendix A, Section J(10), requires the District to maintain records that certify on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal programs. Specifically, when employee compensation charges are based on assigned work activities, a statement should be prepared at least annually to certify the assignment objectives were met.

Condition and context: The District did not always follow its policies to require supervisors to prepare a statement to describe how employees met their assigned objectives for the program. Specifically, for 3 of the 23 federal payroll charges tested for allowable costs requirement and for 7 of the 32 non-federal payroll charges tested for the matching requirement, auditors noted the statements certifying the assignment objectives were not prepared upon completion of the assignment. Upon notification by auditors, the District prepared a statement to certify the assignment objectives were complete for 7 of the employees noted above. For these employees, auditors were able to examine additional evidence and verify that assignment objectives were met and the expenditures were allowable costs. However, for 3 of these employees tested for matching, auditors were unable to perform additional work to verify the assignment objectives were met and the expenditures were allowable costs. Although there were errors in the population, the District was able to demonstrate it met the matching requirements because they had provided additional resources to match the program that were not payroll related.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Effect: Unallowable federal charges or improper payments to employees may have occurred. Auditors selected 15 additional federal payroll charges for allowable costs/cost principles, and noted no other instances of noncompliance. However, it was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding.

Cause: The work activity assigned was not always certified by a supervisor upon completion due to oversight.

Recommendation: The District should improve its current policies and procedures to help ensure that each supervisor prepares a statement detailing how the employee met their assigned objectives of the program within a reasonable time period upon completion. This statement should be completed at least annually.

This finding is similar to a prior-year finding.

12-105

CFDA No.: 84.002 **Adult Education—Basic Grants to States**

U.S. Department of Education

Passed through the Arizona Department of Education

Award Period/Award Numbers: July 1, 2011 through June 30, 2012/12FAEABE-270579-03A, 12FAEECS-270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

Activities Allowed/Unallowed, Allowable Costs/Cost Principles, and Earmarking

Questioned Cost: None

Criteria: 34 CFR §80.20(b)(3) requires effective controls and accountability to be maintained over federal monies to ensure that they are used solely for authorized purposes. Therefore, all program transactions should be created and approved by separate employees knowledgeable of the program.

Condition and context: While performing earmarking test work to ensure that no more than 8 percent of program expenditures were spent on noninstructional costs, auditors noted that for one of four noninstructional sample items tested, the transaction was reversed in the District's system without approval by another employee. The employee had the ability to reverse journal entries without approval. Auditors expanded test work and determined that there were no other transactions reversed for the program.

Effect: Transactions recorded in the District's information system could be manipulated or changed incorrectly. This finding could affect other federal programs the District administers.

Cause: The District had not established policies and procedures to ensure that there was adequate separation of duties for initiating, approving, and recording journal entry reversals.

Recommendation: The District should establish policies and procedures to help ensure adequate separation of duties for initiating, approving, and recording journal entries.

Maricopa County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

12-106

CFDA No.: 84.031 **Higher Education—Institutional Aid**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2010 through September 30, 2012/P031S080118,
P031S090050, and P031S080044
October 1, 2011 through September 30, 2012/P031A110194 and
P031A110200

Reporting

Questioned Costs: None

Criteria: According to 34 CFR §74.51, the District is required to submit annual performance reports that contain a comparison of actual accomplishments to the objectives established for the period and any actual costs associated with the objectives. In addition, the performance report documents federal and non-federal expenditures and grant funding carried forward to future years.

Condition and context: For two of three performance reports tested for the period October 1, 2010 through September 30, 2011, auditors noted several instances where expenditures reported did not agree to financial records. Specifically, for Estrella Mountain Community College's grant award P031S080118, federal and non-federal expenditures were misclassified by \$78,750 and \$27,476, respectively. In addition, for Gateway Community College's grant award P031S090050 federal expenditures were understated by approximately \$198,391. Further, auditors were unable to verify the grant carry forward budget amounts were correct.

Effect: Carryforward of grant budget amounts may be misstated within the performance reports because expenditures were reported incorrectly.

Cause: The District did not follow its policies and procedures to ensure that accurate information was reported and supported.

Recommendation: The District should follow its detailed review process to help ensure federal reports are accurate and complete.



2411 W. 14th Street, Tempe, Arizona 85281 - 6942 • T 480.731.8000 • F 480.731.8506 • www.maricopa.edu

March 28, 2013

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 corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2012.

Sincerely,

A handwritten signature in cursive script that reads 'Kimberly Brainard Granio'.

Kimberly Brainard Granio, CPA
Associate Vice Chancellor, Business Services & Controller

Ten colleges and two skill centers dedicated to student success.

Chandler-Gilbert | Estrella Mountain | GateWay | Glendale | Mesa | Paradise Valley | Phoenix
Rio Salado | Scottsdale | South Mountain | Maricopa Skill Center | SouthWest Skill Center

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

Corrective Action Plan
Year Ended June 30, 2012

12-101

CFDA No.: 84.002 Adult Education—Basic Grants to States, 12FAEABE-270579-03A, 12FAEECS
270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

CFDA No.: 93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds
Student Financial Assistance Cluster:

CFDA Nos.: 84.007 Federal Supplemental Educational Opportunity Grants

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: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: October 2011

Corrective Action Planned:

When the errors were first noted in October 2011, greater care was taken by staff to follow established procedures ensuring that all reimbursement requests and financial reports prepared by staff were properly reviewed and approved, while documenting such action. As stated in the finding, no errors were noted after the October 2011 time frame.

12-102

CFDA No.: 47.076 Education and Human Resources, DUE-0807063, DUE-1136435, DUE-0702753,
DUE-1047576, DUE-0802487, DUE-1104294, DUE-0631133, DUE-0653206, DUE-
0631180, DUE-0806987, DUE-1040932, DUE-1003542, DUE-0501626, DUE-1104159,
DUE-0837451, DUE-1022980, DUE-1044463, DUE-1103080, 3785-MATEC-NSF-2498,
SLC329X-1, 271343-87M8 and 271343-87M6, V2011us0003/V11US002,
F2011us0004/F11US0001, S12US0001/S2012us0001, V2012sb0005/V12HS001, and
V2012sb0013/V12HS004

Contact Person: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: April 2013

Corrective Action Planned:

The District will review document retention requirements with the appropriate College administrator and project staff to ensure that such requirements are met.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

Corrective Action Plan
Year Ended June 30, 2012

12-103

CFDA No.: 81.123 National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program, DE-FG52-06NA27576

Contact Person: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: June 2013

Corrective Action Planned:

The District will work with the colleges to ensure that document retention requirements are met and that procedures are documented and followed when awarding varying scholarships to the same population of students.

12-104

CFDA No.: 84.002 Adult Education—Basic Grants to States, 12FAEABE-270579-03A, 12FAEECS-270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

Contact Person: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: April 2013

Corrective Action Planned:

The District continues to review the functionality within its Human Resources enterprise system to automatically track and monitor the completion and certification of instructional assignments relating to grant programs. In the interim, District staff will work with project directors to ensure that all assignments are captured on certifications accurately.

12-105

CFDA No.: 84.002 Adult Education—Basic Grants to States, 12FAEABE-270579-03A, 12FAEECS-270579-05A, 12FAEETE-270579-06A, 12FAEAEF-270579-04A, and 12FAECIV-270579-02A

Contact Person: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: April 2013

Corrective Action Planned:

As of April 1, 2013, the District has implemented a written procedure formally documenting adequate segregation of duties over journal entries. Corresponding tasks to ensure compliance with the written procedure have also been implemented.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

Corrective Action Plan
Year Ended June 30, 2012

12-106

CFDA No.: 84.031 Higher Education—Institutional Aid, P031S080118, P031S090050, and
P031S080044, P031A110194 and P031A110200

Contact Person: Michelle Paul, Manager of Grants Accounting and Student Financial Services

Anticipated Completion Date: April 2013

Corrective Action Planned:

The District will work with the Colleges and District Office Divisions to ensure that financial reports for grants are prepared, reviewed, and/or approved by the District Grants Accounting department and accurately represent the information presented in the District's financial accounting system.



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March 20, 2013

Ms. 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. This schedule also includes audit findings reporting in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

A handwritten signature in black ink that reads 'Kimberly Brainard Granio'.

Kimberly Brainard Granio, CPA, M.Ed.
Associate Vice Chancellor, Business Services & Controller

Ten colleges and two skill centers dedicated to student success.

Chandler-Gilbert | Estrella Mountain | GateWay | Glendale | Mesa | Paradise Valley | Phoenix
Rio Salado | Scottsdale | South Mountain | Maricopa Skill Center | SouthWest Skill Center

Status of Federal Award Findings and Questioned Costs

Finding No. 10-101

Student Financial Assistance Cluster:

CFDA Nos.: 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

84.375 Academic Competitiveness Grants

Status: Partially corrected

The District corrected the internal control deficiencies related to reporting new locations to the USDOE in a timely manner and we continue to work with a consultant and the USDOE to determine the amount of federal assistance awarded to students in error, if any.

The District implemented a revised academic calendar and related policies and procedures and believes it is awarding and disbursing financial aid in accordance with the new calendar and we continue to work with a consultant and the USDOE to resolve any questions that remain. We are also working with a consultant and the USDOE to determine the amount of federal assistance awarded to students in error, if any.

Finding No. 11-101

WIA Cluster:

CFDA No.: 17.258 ARRA – WIA Adult Program

CFDA No.: 81.123 National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program

CFDA No.: 84.002 Adult Education – Basic Grants to States

CFDA No.: 84.031 Higher Education – Institutional Aid

Status: Partially corrected

The District continues to review the functionality within its Human Resources enterprise system to automatically track and monitor the completion and certification of instructional assignments relating to grant programs. In the interim, District staff will work with project directors to ensure that all assignments are captured on certifications accurately.

Finding No. 11-102

CFDA No.: 84.002 Adult Education – Basic Grants to States

CFDA No.: 84.031 Higher Education – Institutional Aid

TRIO Cluster

CFDA Nos.: 84.042 TRIO – Student Support Services

84.047 TRIO – Upward Bound

Student Financial Assistance Cluster:

CFDA Nos.: 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

84.375 Academic Competitiveness Grants

93.925 Scholarships for Health Professions Students from Disadvantaged
Backgrounds

Status: Fully corrected

Finding No. 11-103

CFDA No.: 11.300 Investments for Public Works and Economic Development Facilities

Status: Fully corrected