

Maricopa County Community College District

Single Audit Report

Year Ended June 30, 2017

A Report to the Arizona Legislature





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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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*



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;
report on internal control over compliance; and report on schedule of
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

Report on compliance for each major federal program

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) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for qualified opinion on Higher Education—Institutional Aid program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding the Higher Education—Institutional Aid (84.031) program as described in item 2017-104 for activities allowed or unallowed and allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified opinion on Higher Education—Institutional Aid program

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, Maricopa County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Higher Education—Institutional Aid program for the year ended June 30, 2017.

Unmodified opinion on each of the other major federal programs

In our opinion, Maricopa County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2017-101, 2017-102, and 2017-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-104 to be a material weakness.

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 2017-101, 2017-102, and 2017-103 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maricopa County Community College District's response to findings

Maricopa County Community College District's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 18, 2017, that contained an unmodified opinions on those financial statements. Our report also included 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 the Uniform Guidance 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.

Jay Zsorey, CPA
Director, Financial Audit Division

March 30, 2018





SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles

Unmodified

Internal control over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Type of auditors' report issued on compliance for major programs

Unmodified for the Student Financial Assistance Cluster and qualified for the Higher Education—Institutional Aid program.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?

Yes

Identification of major programs

CFDA number	Name of federal program or cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster
84.031	Higher Education—Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs \$3,000,000

Auditee qualified as low-risk auditee? No

Other matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511(b)? Yes

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

2017-101

Cluster name:

Student Financial Assistance Cluster

CFDA numbers and names:

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**

July 1, 2016 through June 30, 2017

Award year:

Federal agency:

U.S. Department of Education

Compliance requirements:

Special tests and provisions

Questioned costs:

N/A

Criteria—For the cluster's Pell Grant and loan programs, 34 Code of Federal Regulations (CFR) §674.19(f), §685.309(b), and §690.83(b)(2) require the District to report to the National Student Loan Data System (NSLDS) student enrollment status changes within 30 days of a change or include the change in status in a response to an enrollment-reporting roster file within 60 days. Further, in accordance with 2 CFR §200.303, the District must establish and maintain effective internal control over its federal award that provides reasonable assurance that the District is managing the award in compliance with federal statutes, regulations, and the award terms and conditions.

Condition and context—The District did not always accurately report student enrollment status changes within the required time frames. Specifically, for 7 of 40 students tested, the students' enrollment status changes were neither reported to NSLDS within 30 days, nor were the changes included in an enrollment-reporting roster file within 60 days. In addition, for 8 of 40 students tested, there were errors in the students' enrollment status changes reported to NSLDS.

Effect—The District did not comply with the student-enrollment-reporting requirement included in the cluster's special tests and provisions. Consequently, student enrollment statuses in the NSLDS were not always accurate and/or reported in a timely manner. If the NSLDS does not accurately reflect students' enrollment in a timely manner, there is an increased risk that students may not be asked to repay student financial assistance grants and loans if or when required.

Cause—The District did not have adequate policies and procedures to help ensure it identified all student enrollment status changes required to be reported and ensure the changes were reported and reported accurately within 30 days or included in a response to an enrollment-reporting roster file within 60 days.

Recommendation—To help ensure the District complies with the cluster's special tests and provisions over enrollment reporting, the District should establish policies and procedures to ensure that it accurately

reports student enrollment status changes to the NSLDS within 30 days or include them in a response to an enrollment-reporting roster file within 60 days.

The District's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

This finding is similar to prior-year finding 2016-101.

2017-102

Cluster name:	Student Financial Assistance Cluster
CFDA numbers and names:	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
Award year:	July 1, 2016 through June 30, 2017
Federal agency:	U.S. Department of Education
Compliance requirements:	Eligibility and special tests and provisions
Questioned costs:	\$8,813

Criteria—In accordance with 34 CFR §§668.54 and 668.60, the District is required to verify the eligibility of students whose applications for federal financial assistance were selected for verification by the federal awarding agency. Specifically, the District is required to return the federal financial assistance if it is determined that the student is ineligible, and discontinue any future federal financial assistance disbursements until it completes the student's verification for eligibility. Students who the District verifies as ineligible to receive federal financial assistance may be required to return previously received financial assistance awards unless the student provides verification documentation within a reasonable time period. Further, in accordance with 2 CFR §200.303, the District must establish and maintain effective internal control over its federal award that provides reasonable assurance that the District is managing the award in compliance with federal statutes, regulations, and the award terms and conditions.

Condition and context—For 1 of 45 students tested, the District did not obtain the required verification documentation from the student when the student was selected for verification by the federal awarding agency. This student was selected for verification after student application changes and federal assistance disbursements were made. The District did not return federal financial assistance for this student. As a result, we were unable to verify whether the student was eligible to receive financial assistance totaling \$8,813 because the District did not have sufficient records to verify the student's eligibility.

Effect—The District did not comply with 34 CFR §§668.54 and 668.60 for completing the verification process for awarding federal financial assistance. Accordingly, the District is exposed to an increased risk that it may have awarded federal financial assistance to potentially ineligible students when it does not complete the verification process. We extended auditing procedures and identified a total of 101 students who were selected for verification after financial assistance was disbursed that the District did not verify at year-end. These students were disbursed a total of \$387,247 in federal financial assistance that could be potentially ineligible. It was not practical to extend auditing procedures sufficiently to determine whether additional questioned costs may have resulted from this finding because the District was in the process of completing the verification for these students subsequent to the audit period.

Cause—The District did not ensure that its existing policies and procedures for completing the verification process were followed.

Recommendation—To help ensure that it complies with the verification requirements for federal financial assistance, the District should evaluate and improve its existing policies and procedures to ensure that it completes verification requirements and that federal financial assistance monies are returned, if appropriate, or federal financial assistance disbursements to students are discontinued until the District completes the verification process.

The District's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

2017-103

Cluster name:

Student Financial Assistance Cluster

CFDA numbers and names:

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

Award year:

July 1, 2016 through June 30, 2017

Federal agency:

U.S. Department of Education

Compliance requirement:

Eligibility

Questioned costs:

Unknown

Criteria—In accordance with 34 CFR §690.75 and 20 U.S. Code §1070a(b)(3), the District is required to disburse federal financial assistance to a student only after the District determines that the student qualifies as an eligible student. In addition, the federal financial assistance awarded should not exceed the difference between the student's expected family contribution and the district cost of attendance. Further, in accordance with 2 CFR §200.303, the District must establish and maintain effective internal control over its federal award that provides reasonable assurance that the District is managing the award in compliance with federal statutes, regulations, and the award terms and conditions.

Condition and context—For 1 of 40 students tested, the District's calculation of the student's institutional cost of attendance was overstated. We were able to extend auditing procedures to determine that the total federal financial assistance disbursed to the student tested was accurate despite the error identified. In addition, we determined that this issue was isolated to one of the District's ten colleges whose calculation of the cost of attendance potentially affected approximately \$87,939 of federal financial assistance disbursed to 27 students for the year. However, it was not practical to extend auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding because the district records made available were not adequate to evaluate the effect of the cost-of-attendance errors on these disbursements.

Effect—The District did not accurately calculate the institutional cost of attendance required for the determination of eligibility and award amount for one of its ten colleges. An incorrect institutional cost of attendance could result in improper federal financial assistance disbursements to students.

Cause—One of the District's colleges did not input into the student information system the correct class information for the new student orientation class. The input error for this class overstated the number of weeks of instruction and related cost of attendance for all students attending this class.

Recommendation—To help ensure that the District complies with federal financial assistance eligibility requirements, the District should evaluate its existing policies and procedures for inputting data into its student information system that affects the institutional cost of attendance calculation. These policies and procedures should involve a periodic review or test of input data used for the calculation of all key eligibility criteria for federal financial assistance. In addition, the District should evaluate the students impacted by this error to ensure that no improper disbursements were made.

The District's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

2017-104

CFDA number and name:

84.031 **Higher Education—Institutional Aid**

Award numbers and years:

P031A110194, October 1, 2011 through September 30, 2016;
P031A110200, October 1, 2011 through September 30, 2017;
P031S150085, October 1, 2015 through September 30, 2020;
P031S150098, October 1, 2015 through September 30, 2020;
P031S150032, October 1, 2015 through September 30, 2020;
P031S160090, October 1, 2016 through September 30, 2021

Federal agency:

U.S. Department of Education

Compliance requirements:

Activities allowed or unallowed and allowable costs/cost principles

Questioned costs:

\$284,635

Criteria—In accordance with 34 CFR §606.10(c)(1) and 2 CFR §200.430(h) and (i), the District should not charge federal programs for activities that are not included in the approved grant agreement. In addition, the District should maintain records that accurately reflect employees' salaries and wages charged to federal programs that reflect the actual work performed or time and effort spent working on federal programs. Therefore, the District should maintain effective internal controls that require adequate records for allocating employees' salaries and wages to federal programs be prepared, approved, and maintained as part of the District's established accounting policies and practices. In addition, the District should have internal controls in place to ensure that employee stipends are not charged to federal programs when they are not allowed by the program's grant agreement.

Condition and context—The District spent over \$1.4 million, or 68 percent of total program expenditures, on employee salaries and wages for the program during the year. However, the District did not always follow its policies and procedures for preparing, reviewing and approving, and retaining records supporting employees' actual work performed or time and effort spent working on the program's activities and ensuring that only allowable activities and costs were charged to the program. Specifically:

- For 7 of 60 employees tested, the District did not have documentation supporting the employee's time and effort spent working on program activities. The District's policies and procedures required quarterly time and effort records to be prepared, reviewed and approved, and retained for all regular employees receiving salaries; however, these policies and procedures were not always followed. Total salaries of \$1,054,070 were charged to the program for the year, and of this amount, \$280,051 were charges for these 7 employees. We were able to verify that the District had the proper time and effort records for the

program directors who spent 100 percent of their time and effort on the program's activities and whose salaries totaled \$195,683. However, it was not practical to extend auditing procedures sufficiently to determine additional questioned costs that may have resulted from this finding because the District's time and effort records for the program were inadequate.

- For 2 of 60 employees tested, the District did not have the records required by its policies and procedures supporting the employees' completing the program activities performed under district special service assignments. Total wages charged to the program for the year under special service assignments were \$190,539, and of this amount, \$2,530 were charges for these 2 employees. It was not practical to extend auditing procedures sufficiently to determine additional questioned costs that may have resulted from this finding because the District's special service assignment records for the program were not adequate.
- For 1 of 60 employees tested, the District charged the program \$2,054 for an employee stipend related to general employment milestones, which was not identified as an allowed cost by the program's grant agreement.

Effect—The District did not comply with the program's requirements for activities allowed or unallowed and allowable costs/cost principles. In addition, there is an increased risk that employees' salaries and wages charged to the program may not reflect the actual work performed or the time and effort spent working on program activities, which could result in unallowable costs being charged to the program.

Cause—The District could not locate records required by its policies and procedures to support the allowability of employees' salaries and wages charged to the program.

Recommendation—To help ensure that the District complies with the program's requirements for activities allowed or unallowed and allowable costs/cost principles, the District should monitor employees' adherence to its existing policies and procedures for preparing, reviewing and approving, and retaining accounting records for supporting employees' salaries and wages charged to federal programs and ensure they are followed. Such accounting records should accurately reflect employees' actual work performed or time and effort spent on federal program activities, encompass all activities worked on by employees for which they are compensated, and be approved and maintained as part of the District's established accounting policies and practices. In addition, the District should perform a review of employee stipends prior to charging them to federal programs to ensure that they are allowed by the program's grant agreement.

The District's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

DISTRICT SECTION

Maricopa County Community College District

Schedule of expenditures of federal awards

Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001, 07-87-43-201	\$ 135,954	
10 223	Hispanic Serving Institutions Education Grants				1,924	
	Total Department of Agriculture					<u>137,878</u>
Department of Defense						
12 002	Procurement Technical Assistance for Business Firms					<u>403,154</u>
Department of Housing and Urban Development						
14 218	Community Development Block Grants/Entitlement Grants	CDBG—Entitlement Grants Cluster	City of Phoenix	143921-0		<u>5,307</u>
Department of the Interior						
15 225	Recreation Resource Management		Arizona Bureau of Land Management	L12AC20583		<u>13,171</u>
15 231	Fish, Wildlife and Plant Conservation Resource Management		Arizona Bureau of Land Management	L13AC00119		<u>30,529</u>
	Total Department of the Interior					<u>43,700</u>
Department of Labor						
17 268	H-1B Job Training Grants		City of Phoenix	143705-0		<u>3,829</u>
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants		Central Arizona College	TC-26465-14-60-A4		<u>1,450,798</u>
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants					<u>642,694</u>
	<i>Total 17,282</i>					<u>2,093,492</u>
	Total Department of Labor					<u>2,097,321</u>
Department of State						
19 009	Academic Exchange Programs—Undergraduate Programs		NOVA	S-ECAGD-16-CA-1061		<u>431,484</u>
19 014	One-Time International Exchange Grant Program		NOVA	S-ECAGD-13-CA-088(CB)		<u>1,542</u>
	Total Department of State					<u>433,026</u>
National Aeronautics and Space Administration						
43 001	Science		University of Arizona	263039, 215205, 264017, 263040, 263332, 342520, 342519, 342523		<u>90,921</u>
National Science Foundation						
47 041	Engineering Grants		Arizona State University	16-872		<u>50,654</u>
47 049	Mathematical and Physical Sciences		Arizona State University	12-928		<u>54,867</u>

Maricopa County Community College District
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
47 076	Education and Human Resources	Arizona State University	V16HS004/V2016sb0006, V2016sb0005/V16 HS001, V2016sb0007/V16 HS005, V2016sb0004/V16 HS003, F16UR004/F2016ur010, S17UR037/S2017ur0048, S17UR024/S2017ur0031, KMS0051-18-42/S17UR014, KMS0051-18-42/S17UR032, KMS0051-18-42/S17UR023, KMS0051-18-42/S17UR007, V2017sb0012/V17 HS006, V2017sb0006/V17 HS002, V2017sb0009/V17 HS004		64,089	
47 076	Education and Human Resources	Collin College	DUE-1205077		57,878	
47 076	Education and Human Resources	Northern Arizona University	SLC329X-1		12,375	
47 076	Education and Human Resources	Pennsylvania State University	4691-MATEC-NSF-5105, 5429-MCCCD-NSF-1450		55,842	
47 076	Education and Human Resources				2,278,183	353,192
<i>Total 47.076</i>					<u>2,468,367</u>	
Total National Science Foundation					<u>2,573,888</u>	<u>353,192</u>
Small Business Administration						
59 037	Small Business Development Centers				2,553,825	1,147,573
Environmental Protection Agency						
66 951	Environmental Education Grants				<u>29,385</u>	
Department of Education						
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			2,706,856	
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			2,870,794	
84 038	Federal Perkins Loan Program—Federal Capital Contributions	Student Financial Assistance Cluster			280,099	
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			128,152,349	
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			<u>73,879,282</u>	
<i>Total Student Financial Assistance Cluster</i>					<u>207,889,380</u>	

Maricopa County Community College District
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	16FAAEAI-612421-51B, 16FAEABE-612421-16B, 16FAAEAF-612421-16B, 16FAECIV-612421-16B, 16FAEWIO-612421-05A, 17FAEABE-712421-16B, 17FAEIEL-712421-16B, 17FEDWIO-712421-16B, 17FAEAAPL-712421-16B		2,393,836
84 010	Title I Grants to Local Educational Agencies		Arizona Department of Education	17FT1TTI-710133-01A, 17FT1TTI-712481-01A		123,325
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	16FESCBG-610133-09A, 17FESCBG-710133-09A, 17FESCBG-712481-09A		36,190
84 031	Higher Education—Institutional Aid					2,085,349
84 042	TRIO—Student Support Services	TRIO Cluster				701,212
84 047	TRIO—Upward Bound	TRIO Cluster				477,018
	<i>Total TRIO Cluster</i>					<u>1,178,230</u>
84 021	Overseas Programs—Group Projects Abroad					84,782
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	15FCTDBG-512331-20A, 16FCTDBG-612331-20A, 17FCTDBG-712331-20A		1,154,765
84 116	Fund for the Improvement of Postsecondary Education					786,942
84 335	Child Care Access Means Parents in School					19,775
84 365	English Language Acquisition State Grants					385,359
84 367	Supporting Effective Instruction State Grants		Arizona Department of Education	17FT1TII-710133-03A		
	Total Department of Education					<u>1,741</u>
	Total expenditures of federal awards				\$ 224,508,079	\$ 1,501,061

Maricopa County Community College District
Notes to schedule of expenditures of federal awards
Year ended June 30, 2017

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Maricopa County Community College District for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*.

Note 4 - Indirect cost rate

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Note 5 - 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, 2017, of \$280,099.

DISTRICT RESPONSE



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

March 30, 2018

Mr. Jay Zsorey
Financial Audit Director
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Mr. Zsorey:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

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

Maricopa County Community College District
Corrective Action Plan
Year Ended June 30, 2017

Financial Statement Findings

The corrective action plan for financial statement findings was included 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

2017-101

Cluster Name: Student Financial Assistance Cluster
CFDA no. and program name: 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

Name of contact person: Jessica Sherman, Program Analyst

Anticipated completion date: June 30, 2018

The District will review current policies and procedures related to student enrollment status changes and how these changes affect Pell grant and loan program awards and disbursements. The District will revise said policies and procedures to ensure accurate reports of student enrollment status changes to the NSLDS within 30 days or include them in response to an enrollment-reporting roster file within 60 days. Along with policy and procedure reviews, the District will provide additional training to those employees charged with reporting this activity. Moreover, the District will work with its software and product vendors to ensure data is easily accessible and retrievable.

Maricopa County Community College District
Corrective Action Plan
Year Ended June 30, 2017

2017-102

Cluster Name: Student Financial Assistance Cluster
CFDA no. and program name: 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

Name of contact person: Jessica Sherman, Program Analyst

Anticipated completion date: June 30, 2018

The District will review current policies and procedures related to student verification to ensure this requirement is completed in a timely fashion. The District will ensure federal financial assistance money is returned, when appropriate, and that disbursement of federal financial assistance is discontinued until proper verification is completed. The District will provide additional training and guidance to district personnel to ensure the verification process is properly conducted.

2017-103

Cluster Name: Student Financial Assistance Cluster
CFDA no. and program name: 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

Name of contact person: Kathaerine A. Johnson, Director, Financial Aid & Veterans Services

Anticipated completion date: June 30, 2018

The District is currently working to ensure that all future New Student Orientation (NSO) courses are set up in the Student Information System as 1-day courses, which will have the proper impact on the cost of attendance (COA). The COA, awards, and disbursements for all students identified through the audit procedures will be reviewed for accuracy and any necessary adjustments will be completed.

2017-104

CFDA no. and program name: 84.031 Higher Education-Institutional Aid

Name of contact person: Michelle Paul, Accounting Manager

Anticipated completion date: April 30, 2018

The District has implemented new functionality within its Human Resources enterprise system (HCM) effective February 5, 2018, that allows employees to record actual time worked on federal grant activities directly to the federal program each pay period. The system then routes the time entry to the immediate supervisor for review and approval prior to the bi-weekly payroll run. The District is currently implementing new policies and procedures to monitor time entered in HCM to ensure that actual time reported on federal grant activities is properly approved, accurately charged to the federal program, and any exceptions are identified and corrected.

Maricopa County Community College District
Corrective Action Plan
Year Ended June 30, 2017

Additionally, the District is currently reviewing and reconciling all salaries and wages charged to federal programs prior to February 5, 2018, to ensure charges are supported by documented accounting records in accordance with the District's prior policies and procedures and to comply with the program requirements for activities allowed or unallowed and allowable costs/cost principles.



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March 30, 2018

Mr. Jay Zsorey
Financial Audit Director
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Zsorey:

We have prepared the accompanying Summary Schedule of Prior Audit Findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

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

Maricopa County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Status of Financial Statement Findings

The District needs to improve procedures for approving adjunct faculty employment

Finding Nos.: 2016-01, 2015-01, 2014-01, 2013-03

Status: Not corrected

As of June 30, 2017, the District had not implemented its corrective action. In February 2018, the District implemented changes to its enterprise systems (Human Capital Management System-HCM and Student Information System-SIS) to require electronic approvals of adjunct faculty assignments initiated in SIS prior to the faculty member receiving access to his/her class roster, gradebook, etc. These changes are expected to provide the required improvements.

The District needs to improve procedures for approving employees' time sheets

Finding Nos.: 2016-02, 2015-02, 2014-02

Status: Not corrected

The District did not implement its corrective action until November 2016. The District developed and implemented a manual approval process for any time worked and paid, but not approved. Additionally, the District is reviewing personnel policies to determine what corrective action may be taken when repeated time-approvers non-compliance is evidenced. Finally, with the changes to the District's Human Capital Management (HCM) system in February 2018, the approval process has been greatly simplified and is significantly easier for supervisors to execute; therefore, increased compliance is expected.

There are many budget checks of expenses throughout the fiscal year and any material deviations from budgeted wages or large variances from prior year's actual expenses would be noted and investigated. Furthermore, all grant-funded time sheets that are not approved by a supervisor are manually certified by the project director.

**Maricopa County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

The District should strengthen oversight of its information technology controls

Finding Nos.: 2016-03, 2015-03, 2014-03

Status: Not corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. After June 30, 2017, the District addressed this audit finding by developing an information technology oversight management process to monitor district-wide implementation and application of IT policies and internal controls. The oversight management process was designed and implemented in the first quarter of 2018 and includes several tools and activities.

The District should improve its risk-assessment process related to information technology security

Finding Nos.: 2016-04, 2015-03, 2015-04, 2014-03

Status: Partially corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. The District continues to enhance and improve its District-wide Risk Management program as it pertains to IT Risk Management. The District has completed two consecutive District-wide annual IT Risk Assessments as part of the application for Cyber Liability Insurance. As a result of these assessments and demonstrated improvements, cyber insurance coverage has increased from 10,000,000 to 30,000,000 over the past two years.

The District will improve its IT risk assessment process, to ensure that it effectively communicates the results of risk assessments to administration and better document how it prioritizes remediation and responses to the risks it identifies.

The District should improve security over its information technology resources

Finding Nos.: 2016-05, 2015-04, 2014-04

Status: Partially corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. The District has adopted an Administrative Regulation that provides the Vice Chancellor for ITS with the authority to "issue Governance Directives as needed to regulate [the] use of IT resources." Known as Information Technology Directives, these foundational documents shape information security and privacy practices for the District.

Over the past three years, the district has made significant advancements in its control environment by creating and maintaining information security and privacy focused Administrative Regulations and Information Technology Directives. Specifically, the District has developed a process for the drafting and implementation of new control practices (Internal Control Development) calling for (1) the identification of areas for new or updated Administrative Regulations and IT Directives; (2) prioritization of new or updated Administrative Regulations and IT Directives; (3) collection of stakeholder review and comment for draft Administrative Regulations and IT Directives; and (4) executive review and approval.

**Maricopa County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

The District should continue improving IT access controls

Finding Nos.: 2016-06, 2015-05, 2014-05, 2013-01, 12-02, 11-01, 10-01, 09-01, 08-01

Status: Partially corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. The District agrees to the finding as to the audit period for fiscal year 2017. Notwithstanding its agreement, the District is pleased to report that it has significantly enhanced its policies and procedures to strengthen the District's capabilities in regard to prevention and detection of unauthorized access, manipulation, damage, or loss to its IT resources (see response to 2017-05 in the separately issued report on internal control over financial reporting and on compliance and other matters).

Specifically, in 2016, the District began monitoring and managing privileged access to cloud data with an access control broker. In 2017, a credential management platform was implemented by the District on a limited basis. Shared accounts are now actively managed by this platform. In the first quarter of 2018, the District adopted two new IT Directives that substantially improve access controls over its IT resources. The first IT Directive adopted and applied the industry-recognized security principle of "Least Required Privileged" to control access and to monitor IT resources. The second notable newly adopted IT Directive was jointly drafted by Human Resources and IT and clearly sets forth criteria for removing access for employees who are no longer employed by Maricopa. Additionally, the District utilizes VPN technology to encrypt and ensure confidentiality of remote access. These strategies will be further supported by an Information Technology Directive in development for a Mobile / Bring Your Own Device (BYOD) directive.

The District should continue improving IT change management processes

Finding Nos.: 2016-07, 2015-06, 2014-06, 2013-01

Status: Fully corrected

The District should improve its contingency planning procedures for its information technology resources

Finding Nos.: 2016-08, 2015-07, 2014-07, 2013-02

Status: Not corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. Practices are in place for the backup and recovery of data. The District contracts for such capabilities with vendors hosting or maintaining data for the District as well. Even so, the District agrees that it should continue improving its contingency planning policies and procedures.

A Directive on Business Resilience that would address contingency planning procedures is in development. A design element for the new policy includes standardization of business resilience practices district-wide. This policy will provide guidance for conducting a business impact analysis, system backups, performing periodic testing, as well as documenting procedures for performing disaster recovery.

Maricopa County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Status of Federal Award Findings and Questioned Costs

Cluster Name:	Student Financial Assistance Cluster
CFDA No. and program name:	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
Finding Nos.:	2016-101, 2015-105, 2014-102
Status:	Not corrected

As of June 30, 2017, the District had not fully implemented its corrective action due to the complexity of the requirements. The District will review current policies and procedures related to student enrollment status changes and how these changes affect Pell grant and loan program awards and disbursements. The District will revise said policies and procedures to ensure accurate reports of student enrollment status changes to the NSLDS within 30 days or include them in response to an enrollment-reporting roster file within 60 days. Along with policy and procedure reviews, the District will provide additional training to those employees charged with reporting this activity. Moreover, the District will work with its software and product vendors to ensure data is easily accessible and retrievable.

CFDA No. and program name:	84.002 Adult Education-Basic Grants to States
Finding No.:	2016-102
Status:	Fully corrected

CFDA No. and program name:	84.002 Adult Education-Basic Grants to States
Finding No.:	2016-103
Status:	Fully corrected

CFDA No. and program name:	84.002 Adult Education-Basic Grants to States
Finding No.:	2016-104
Status:	Partially corrected

For the year ended June 30, 2017, the District had not fully implemented its corrective action. During the 4th quarter of fiscal year 2016-17, new procedures for preparing and reviewing matching cost plans were implemented. Further, matching costs for the final quarter were tracked, reviewed and approved. The District will continue to follow its policies and procedures.

