

Pinal County Community College District (Central Arizona College)

Single Audit Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





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TABLE OF CONTENTS

Auditors Section

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* 1

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 3

Schedule of Findings and Questioned Costs 7

Summary of auditors' results 7

Federal award findings and questioned costs 9

District Section

Schedule of expenditures of federal awards 11

Notes to schedule of expenditures of federal awards 12

District Response

Corrective action plan

Summary schedule of prior audit findings

Report Issued Separately

Comprehensive annual financial report



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent auditors' report on internal control over financial reporting and
on compliance and other matters based on an audit of basic financial
statements performed in accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Pinal County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2016. Our report includes a reference to other auditors who audited the financial statements of the Central Arizona College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of the Central Arizona College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Central Arizona College Foundation.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jay Zsorey, CPA
Financial Audit Director

November 18, 2016



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 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
Pinal County Community College District

Report on compliance for each major federal program

We have audited Pinal 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, 2016. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each major federal program

In our opinion, Pinal 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 major federal programs for the year ended June 30, 2016.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2016-101. Our opinion on each major federal program is not modified with respect to this matter.

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.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-101, that we consider to be a significant deficiency.

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.

Pinal County Community College District's response to findings

Pinal County Community College District's response to the finding identified in our audit is presented on pages 13 through 14. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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 Pinal County Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 18, 2016, that contained an unmodified opinion 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
Financial Audit Director

November 18, 2016





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 weakness identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal awards

Internal control over major programs	
Material weakness identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
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
17.259	WIA/WIOA Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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Other matters

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

None reported

Federal award findings and questioned costs

2016-101

Cluster name:	Student Financial Assistance Cluster
CFDA nos. and names:	84.007 Federal Supplemental Educational Opportunity Grants (FSEOG) 84.033 Federal Work Study Program (FWS) 84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award numbers and years:	Various; July 1, 2015 through June 30, 2016
Federal agency:	U.S. Department of Education
Compliance requirement:	Special tests and provisions
Questioned costs:	N/A

Criteria—For the Federal Pell Grant and Federal Direct Student Loans programs, 34 Code of Federal Regulations (CFR) 690.83(b)(2) and 685.309(b) require institutions to accurately report student enrollment status changes to the National Student Loan Data System (NSLDS). Student enrollment status changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. Institutions are required to notify NSLDS within 30 days of a change in student status, or include the change in status in a response to an enrollment reporting roster file within 60 days.

Condition and context—The District did not have adequate policies and procedures to ensure that all student enrollment status changes were reported to NSLDS accurately or within the required time periods. As a result, for 6 of 40 students tested, auditors noted the change in the student's enrollment status were not reported within 60 days after an enrollment reporting roster was received from NSLDS. In addition, for 11 of 40 students tested, auditors noted errors in the student's enrollment status changes.

Effect—The District did not comply with the enrollment-reporting requirements of 34 CFR 690.83(b)(2) and 685.309(b). Consequently, student enrollment statuses in the NSLDS were not always accurate or reported in a timely manner.

Cause—The District used a third-party servicer to report enrollment status changes to NSLDS but did not have adequate policies and procedures to verify that changes were reported to the NSLDS accurately or in a timely manner.

Recommendation—The District should develop and implement policies and procedures to ensure that they identify all student enrollment status changes required to be reported, accurately report the changes, and monitor changes submitted by the third-party servicer to ensure the student enrollment status changes reported to the NSLDS are accurate and reported within required timelines.

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

DISTRICT SECTION

Pinal County Community College District
(Central Arizona College)
Schedule of expenditures of federal awards
Year ended June 30, 2016

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						
10 223	Hispanic Serving Institutions Education Grants				\$ 67,843	
Department of Labor						
17 259	WIA/WIOA Youth Activities	WIA/WIOA Cluster	Pinal County	DI16-002115	487,332	
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				1,849,875	\$ 872,418
Total Department of Labor					2,337,207	872,418
National Aeronautics and Space Administration						
43 008	Education		University of Arizona	264557	27,229	
National Science Foundation						
47 050	Geosciences		Arizona State University	1108044	6,340	
47 076	Education and Human Resources		Science Foundation Arizona	DUE-1400687	12,097	
Total National Science Foundation					18,437	
Small Business Administration						
59 037	Small Business Development Centers		Maricopa County Community College District	5-603001-EZ-0004, 6-603001-EZ-0026	51,977	
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	16FAEABE-612601-16B, 16FAEAEF-612601-16B, 16FAEWIO-612601-05A, 16FAEWPL-612601-05A, 16FAEAPL-612601-16B	177,875	
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			135,489	
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			150,193	
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			10,708,056	
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			5,257,987	
	Total Student Financial Assistance Cluster				16,251,725	
84 031	Higher Education—Institutional Aid				1,340,019	
84 042	TRIO—Student Support Services	TRIO Cluster			210,538	
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	16FCTDBG-612601-20A	187,839	
Total Department of Education					18,167,996	
Total expenditures of federal awards					\$ 20,670,689	\$ 872,418

**Pinal County Community College District
(Central Arizona College)
Notes to schedule of expenditures of federal awards
Year ended June 30, 2016**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal County Community College District for the year ended June 30, 2016. 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 2016 *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.

DISTRICT RESPONSE



November 18, 2016

Debbie Davenport
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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 the finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Chris Wodka
Vice President Business Affairs

Central Arizona College
District Offices

Superstition Mountain Campus
805 S. Idaho Road
Apache Junction, AZ 85119

Aravaipa Campus
80440 E. Aravaipa Road
Winkelman, AZ 85192

Signal Peak Campus
8470 North Overfield Road
Coolidge, AZ 85128-9030

Maricopa Campus
17945 North Regent Drive
Maricopa, AZ 85138-7808

San Tan Campus
3736 E. Bella Vista Rd
San Tan Valley, AZ 85143

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Federal Award Findings and Questioned Costs

2016-101

CFDA no. and program name: Student Financial Aid Cluster

84.063 Federal Pell Grant Program

84.268 Federal Direct Student Loans

Chris Wodka, Vice President Business Affairs

Anticipated completion date: January, 2017

The District agrees with the finding and provides the following corrective action plan. In November of 2016 the District strengthened some of its internal control procedures pertaining to student enrollment reporting to ensure that the District reports student enrollment status changes accurately and timely in accordance with the enrollment-reporting requirements of 34 CFR §685.309(b) and §690.83(b)(2). Certain District employees from registration, financial aid, finance, and institutional research and planning departments will undergo a series of training webinars on enrollment reporting to ensure that applicable District employees are knowledgeable of the compliance requirements on enrollment reporting. The District will also strengthen procedures to include monitoring the information reported to the NSLDS, by the third-party servicer, to ensure information is reported accurately and timely.



November 18, 2016

Debra Davenport
Auditor General
2910 North 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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.

Sincerely,

Chris Wodka,
Vice President Business Affairs

Central Arizona College
District Offices

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Pinal County Community College District
(Central Arizona College)
Summary schedule of prior audit findings
Year Ended June 30, 2016

Status of federal award findings and questioned costs

CFDA no. and program name: 84.002 Adult Education — Basic Grants to State
Finding no.: 2015-101
Status: Fully corrected

CFDA no. and program name: 84.002 Adult Education — Basic Grants to State
Finding no.: 2015-102
Status: Fully corrected

