

Pinal County Community College District (Central Arizona College)

Single Audit Report

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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.

The Joint Legislative Audit Committee

Representative **Anthony T. Kern**, Chair
Representative **John Allen**
Representative **Timothy M. Dunn**
Representative **Mitzi Epstein**
Representative **Jennifer Pawlik**
Representative **Rusty Bowers** (ex officio)

Senator **Rick Gray**, Vice Chair
Senator **Lupe Contreras**
Senator **Andrea Dalessandro**
Senator **David C. Farnsworth**
Senator **David Livingston**
Senator **Karen Fann** (ex officio)

Audit Staff

Donna Miller, Director
Nicole Bartlett, Manager

Contact Information

Arizona Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



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 6

Summary of auditors' results 6

Financial statement findings 8

Federal award findings and questioned costs 10

District section

Schedule of expenditures of federal awards 14

Notes to schedule of expenditures of federal awards 15

District response

Corrective action plan

Summary schedule of prior audit findings

Report issued separately

Comprehensive Annual Financial Report



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2020. 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 and 2018-02, that we consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as item 2018-01.

District's response to findings

The 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 is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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.

Lindsey Perry, CPA, CFE
Auditor General

January 31, 2020



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018. 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 Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Student Financial Assistance Cluster's special tests and provisions as described in item 2018-103. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the 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 Student Financial Assistance Cluster the year ended June 30, 2018.

Unmodified opinion on TRIO Cluster

In our opinion, the 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 TRIO Cluster, as identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs, for the year ended June 30, 2018.

Other matters

The results of our auditing procedures disclosed other 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 2018-101, 2018-102, 2018-104, and 2018-105. 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 did identify 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-101, 2018-102, and 2018-103 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 2018-104 and 2018-105 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.

District's response to findings

The 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 is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan 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 Pinal County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 31, 2020, 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 opinion 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.

Lindsey Perry, CPA, CFE
Auditor General

March 13, 2020



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? **None reported**

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 all major programs except for the Student Financial Assistance Cluster, which was qualified

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
84.042, 84.047	TRIO 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

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

2018-01

The District issued its Annual Financial Report 11 months late

Condition and context—The District issued its Annual Financial Report 19 months after fiscal year-end, 11 months later than required by its long-term debt covenants, and has not yet issued its Annual Budgeted Expenditure Limitation Report (ABELR) that relies on information from the Annual Financial Report.

Criteria—The District's long-term debt covenants required it to issue its audited Annual Financial Report by March 1, 2019. In addition, State law required it to issue its ABELR within 9 months after fiscal year-end. (Arizona Revised Statutes §41-1279.07(C)).

Effect—The District did not provide timely financial information to its governing board and other financial statement users who rely on it to make important decisions about the District's operations. Additionally, the District's credit rating may be downgraded because the District failed to comply with its long-term debt covenants.

Cause—The District implemented a new student information system during the fiscal year and needed additional time to reconcile this new system to its general ledger system before preparing its Annual Financial Report.

Recommendations—To help ensure that the District provides timely financial information to those who need it, satisfies its long-term debt covenants, and complies with State law, the District should dedicate appropriate resources and adhere to completion dates for reconciling its financial information systems and preparing its Annual Financial Report and ABELR.

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

2018-02

Information technology (IT) controls—access and security

Condition and context—The District's control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The District lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

Criteria—The District should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Effect—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the District’s risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause—Although the District made progress on correcting prior-year IT control weaknesses, the District did not sufficiently document and implement policies and procedures over protecting IT systems and data because resources were dedicated to implementing its new student information system.

Recommendations—To help ensure the District has effective policies and procedures over its IT systems and data, the District should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. To help achieve these control objectives, the District should develop, document, and implement control procedures in each IT control area described below:

Access

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Review all other account access to ensure it remains appropriate and necessary.

Security

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Improve the information security plan to protect the integrity of the financial reporting systems and data.
- Develop, document, and follow a process for awarding and subsequent monitoring of IT vendor contracts.

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

This finding is similar to prior-year findings 2017-02 (access) and 2017-04 (IT security).

Federal award findings and questioned costs

2018-101

CFDA numbers and names: Not applicable
Questioned costs: N/A

Condition and context—The District submitted its Annual Financial Report and Single Audit Report to the federal audit clearinghouse in March 2020, 12 months after it was due.

Criteria—The District was required to submit its Annual Financial Report and Single Audit Report to the federal audit clearinghouse no later than March 31, 2019, 9 months after fiscal year-end. (2 Code of Federal Regulations §200.512).

Effect—Federal awarding agencies may deny future federal awards or subject the District to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the reporting requirements over the District's major federal programs.

Cause—The District failed to prepare its Annual Financial Report in a timely manner as noted in finding 2018-01.

Recommendation—The District should improve its financial reporting process as noted in finding 2018-01 so that it can submit its Annual Financial Report and Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end.

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

2018-102

Cluster name: Student Financial Assistance Cluster
CFDA numbers and names: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans
Award numbers and years: P007A170134; P033A170134; P063P172910/182910;
P268K172910/182910; July 1, 2017 through June 30, 2018
Federal agency: U.S. Department of Education
Compliance requirement: Reporting
Questioned costs: Unknown

Condition and context—When reporting Federal Pell Grant Program information on the Common Origination and Disbursement (COD) system, the District did not report accurate anticipated or actual disbursement dates for 13 of 25 students tested and did not report its student record information in a timely manner for 2 of 25 students tested.

Criteria—Federal regulations require the District to report disbursement data, such as anticipated or actual disbursement dates and amounts, as well as student record origination data, such as a student's social

security number, enrollment date, verification status code, and cost of attendance, on the COD system for the Federal Pell Grant Program. If anticipated disbursement dates are reported, the District must submit them no earlier than 7 calendar days prior to the date the District expects to disburse monies to the student. (34 CFR §690.83(b)(2) and 82 Federal Register 29061). In addition, the District must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303).

Effect—There is an increased risk that students may be overawarded Pell monies if the COD system does not accurately reflect students’ origination and disbursement data or if that data is not submitted in a timely manner.

Cause—The District implemented a new student information system during the year and did not have adequate policies and procedures in place to ensure students’ origination and disbursement data was accurately reported to the COD system within the required time periods.

Recommendation—To help ensure that the District does not over-award Pell monies to students, the District should:

- Develop and implement policies and procedures to accurately report students’ origination and disbursement data to the COD system in a timely manner.
- Require someone who is independent of the COD-reporting preparation to verify the accuracy of information reported to the COD system.

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

2018-103

Cluster name:	Student Financial Assistance Cluster
CFDA numbers and names:	84.007 Federal Supplemental Educational Opportunity Grants 84.033 Federal Work-Study Program 84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award numbers and years:	P007A170134; P033A170134; P063P172910/182910; P268K172910/182910; July 1, 2017 through June 30, 2018
Federal agency:	U.S. Department of Education
Compliance requirement:	Special tests and provisions
Questioned costs:	Unknown

Condition and context—The District did not accurately report student enrollment status changes to the National Student Loan Data System (NSLDS) within the required time periods for 40 of 40 students tested.

Criteria—The District is required to report to the 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 for the Federal Pell Grant and Federal Direct Student Loans programs. Student enrollment status changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. (34 CFR §§690.83(b)(2) and 685.309(b)). Also, the District must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303).

Effect—The District’s students may not be asked to repay student financial assistance grants and loans if or when required if the NSLDS does not accurately reflect students’ enrollment status changes in a timely manner.

Cause—The District implemented a new student information system during the fiscal year and did not verify that reports being generated with student enrollment data were accurate.

Recommendation—To help ensure that its students are asked to repay student financial assistance grants and loans as required, the District should develop and implement procedures to verify that student enrollment status changes recorded on its student information system and reported to NSLDS are accurate and this data is reported to NSLDS within required time periods.

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 2017-101.

2018-104

Cluster name:	Student Financial Assistance Cluster
CFDA numbers and names:	84.007 Federal Supplemental Educational Opportunity Grants 84.033 Federal Work-Study Program 84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award numbers and years:	P007A170134; P033A170134; P063P172910/182910; P268K172910/182910; July 1, 2017 through June 30, 2018
Federal agency:	U.S. Department of Education
Compliance requirement:	Special tests and provisions
Questioned costs:	Not applicable

Condition and context—The District did not reconcile its Federal Direct Student Loans program’s cash receipts and disbursements records to the Common Origination and Disbursement (COD) system’s School Account Statement data file each month.

Criteria—Federal regulations require the District to reconcile monthly Federal Direct Student Loans program monies it received to pay its students with actual disbursement records it submitted to the COD system. (34 CFR §685.300(b)(5)). Also, the District must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303).

Effect—There is an increased risk that Direct Loan servicers may begin charging students interest on student financial assistance loans before the District disburses loan monies to the students.

Cause—The District implemented a new student information system during the year and did not have policies and procedures in place to ensure that its records were reconciled to the COD system on a monthly basis.

Recommendation—To help ensure its students are charged interest on student financial assistance loans only once the District disburses loan monies, the District should:

- Develop and implement policies and procedures to perform the required monthly reconciliation of Federal Direct Student Loans data reported on the COD system to the District's records and investigate and resolve any discrepancies noted.
- Assign someone who is independent of performing the COD system reconciliation to review the reconciliation for accuracy and timeliness.

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

2018-105

Cluster name:	TRIO Cluster
CFDA numbers and names:	84.042 TRIO—Student Support Services 84.047 TRIO Upward Bound
Award number and years:	P047A170952; September 1, 2017 through August 31, 2022
Federal agency:	U.S. Department of Education
Compliance requirement:	Matching
Questioned costs:	\$7,671

Condition and context—The District failed to contribute its cost-sharing match of \$7,103 for 1 of 2 grant awards and therefore was reimbursed by the grantor for these program costs that it should have paid for with nonfederal resources. Also, the District receives an indirect cost reimbursement equal to 8 percent of its program costs. Therefore, because the District inappropriately claimed the \$7,103 as program costs, it received an additional indirect cost reimbursement of \$568.

Criteria—The approved grant application required the District to contribute \$7,103 of its nonfederal resources as a cost-sharing match for a software license needed to deliver required program services to eligible participants. (2 CFR §200.99 and 34 CFR §645.31(d)(1)). In addition, 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, award terms, and approved applications. (2 CFR §200.303(a) and 34 CFR §75.700-702).

Effect—The District did not meet its cost-sharing match and inappropriately received \$7,671 in federal grant monies. Consequently, it risks having the federal grantor disallow costs or terminate the grant.

Cause—The District did not follow its existing policies and procedures for grant award acceptance and did not document its committed cost-sharing match or verify that it met the cost-sharing match.

Recommendation—To help ensure the District meets its cost-sharing match requirements and does not risk having the federal grantor disallow costs or terminate the grant, it should:

- Review all grant award applications prior to submission and before the awards are accepted so that the District's cost-sharing match commitments are documented and monitored for compliance.
- Involve the District's budget office personnel in the grant award acceptance process to help ensure that the District has adequate resources to fulfill any cost-sharing match commitments before they are accepted and that the cost-sharing match is budgeted.

The District's responsible officials' views and planned corrective action are in its corrective action plan 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, 2018**

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				\$ 54,190	
Department of Justice						
16 812	Second Chance Act Reentry Initiative		Arizona Department of Corrections	2016-RV-BX-0001	76,779	
Department of Labor						
17 259	WIOA Youth Activities	WIOA Cluster	Pinal County	DI16-002115	912,588	
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				1,827,290	\$ 1,031,520
	Total Department of Labor				<u>2,739,878</u>	<u>1,031,520</u>
National Aeronautics and Space Administration						
43 008	Education		University of Arizona	342518	19,323	
National Science Foundation						
47 076	Education and Human Resources		Arizona State University	DUE-1564909	9,997	
47 076	Education and Human Resources		Science Foundation Arizona	DUE-1400687	36,936	
	<i>Total 47.076</i>				<u>46,933</u>	
	Total National Science Foundation				<u>46,933</u>	
Small Business Administration						
59 037	Small Business Development Centers		Maricopa County Community College District	7-603001-EZ-0025, 8-603001-EZ-0027	95,248	
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	18FAEABE-812601-01A, 18FAEIEL-812601-01A, 18FAEAPL-812601-01A	412,816	
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			118,588	
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			135,364	
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			9,791,758	
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			2,944,652	
	<i>Total Student Financial Assistance Cluster</i>				<u>12,990,362</u>	
84 334	Gaining Early Awareness and Readiness for Undergraduate Programs		Northern Arizona University	1001848-25	2,763	
84 042	TRIO—Student Support Services	TRIO Cluster			184,260	
84 047	TRIO Upward Bound	TRIO Cluster			185,682	
	<i>Total TRIO Cluster</i>				<u>369,942</u>	
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	17FCTDBG-712601-20A, 18FCTDBG-812601-20A	175,983	
	Total Department of Education				<u>13,951,866</u>	
	Total expenditures of federal awards				<u>\$ 16,984,217</u>	<u>\$ 1,031,520</u>

**Pinal County Community College District
(Central Arizona College)
Notes to schedule of expenditures of federal awards
Year ended June 30, 2018**

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, 2018. 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*.

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 *2018 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



March 5, 2020

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

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,

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

1-800-237-9814
www.centralaz.edu

**Pinal County Community College District
(Central Arizona College)
Corrective action plan
Year ended June 30, 2018**

Financial statement findings

2018-01

The District issued its Annual Financial Report 11 months late

Chris Wodka

Anticipated completion date: December 31, 2020

The District agrees with the finding. The District implemented a new student information system during the fiscal year and implemented a new finance system during the subsequent fiscal year for which vendor commitments were not met. The District manually compiled draft financial information to provide to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2019 issued by June 30, 2020 and the audit for the fiscal year ending June 30, 2020 issued by the due date of December 31, 2020.

2018-02

Information technology (IT) controls – access and security

Chris Wodka

Anticipated completion date: December 2020

The District agrees with the finding. The District implemented some changes during the fiscal years ending June 30, 2018 and June 30, 2019. The District will continue to improve monitoring of its information technology resources on a regular basis. The District will assess and enhance its policies and procedures with respect to information technology resources. The District will also continue to improve its security over information technology resources, including documentation of procedures, as well as continue to enhance, and create new change management procedures, update written guidelines related to change management, and increase its incident and contingency planning.

**Pinal County Community College District
(Central Arizona College)
Corrective action plan
Year ended June 30, 2018**

Federal award findings and questioned costs

2018-101

CFDA numbers and program names: Not applicable

Chris Wodka

Anticipated completion date: December 31, 2020

The District agrees with the finding. As noted in finding 2018-01, the District implemented a new student information system during the fiscal year and implemented a new finance system during the subsequent fiscal year for which vendor commitments were not met. The District manually compiled draft financial information to provide to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2019 issued by June 30, 2020. The audit for the fiscal year ending June 30, 2020 is expected to be issued by December 31, 2020, prior to the Single Audit deadline of March 31, 2021.

2018-102

CFDA numbers and program names: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Chris Wodka

Anticipated completion date: December 31, 2020

The District agrees with the finding. A financial aid automation module was implemented in March of 2018 which corrected data that was extracted and sent to the COD system. The District will strengthen procedures to ensure accurate data is reported to the COD system.

**Pinal County Community College District
(Central Arizona College)
Corrective action plan
Year ended June 30, 2018**

2018-103

CFDA numbers and program names: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Chris Wodka

Anticipated completion date: December 31, 2019

The District agrees with the finding. The District further strengthened procedures related to reporting of student enrollment status changes to ensure that the data is recorded in the student information system, accurately reported to NSLDS and that the District is in compliance with federal requirements.

2018-104

CFDA numbers and program names: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Chris Wodka

Anticipated completion date: March 1, 2020

The District agrees with the finding. The District will strengthen procedures to ensure that the college is complying with federal reconciliation requirements.

2018-105

CFDA numbers and program names: 84.042 TRIO – Student Support Services
84.047 TRIO Upward Bound

Chris Wodka

Anticipated completion date: December 31, 2019

The District agrees with the finding. The District strengthened procedures to ensure that grant budgets are recorded accurately and that all concerned parties (e.g., the grants accountant, the budget development officer, and the grant director/coordinator) are aware of the scope of work, allowable costs, indirect costs (if allowed) and any match or in-kind requirements.



March 5, 2020

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

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,

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

1-800-237-9814
www.centralaz.edu

**Pinal County Community College District
(Central Arizona College)
Summary schedule of prior audit findings
Year ended June 30, 2018**

Status of financial statement findings

Finding number: **2017-01**
Status: Fully corrected

Finding number: **2017-02**
Status: Partially corrected

Effective during the fiscal year ending June 30, 2018 the District strengthened policies and procedures with respect to information technology resources in order to prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources. The District did not complete all targets of strengthening policies and procedures with respect to information technology resources in order to prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, therefore, continued to strengthen the related policies and procedures into fiscal year ending June 30,2019.

Finding number: **2017-03**
Status: Fully corrected

Finding number: **2017-04**
Status: Partially corrected

Effective during the fiscal year ending June 30, 2018 the District further strengthened policies and procedures related to IT security. IT security manual was revised to address procedures related to an incident response plan, training on IT security risks, IT vulnerability scans, and application of patches. The District did not meet all targets of strengthening policies and procedures related to IT security to ensure better alignment with best practices, therefore, continued to strengthen the related policies and procedures into fiscal year ending June 30, 2019.

