

Cochise County Community College District

Single Audit Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Comprehensive Annual Financial Report

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*



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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
Cochise County Community College District

Report on compliance for each major federal program

We have audited Cochise 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, 2020. 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, 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 each of its major federal programs for the year ended June 30, 2020.

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 2020-101 and 2020-102. 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-102 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-101 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.

District 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 District's business-type activities and discretely presented component unit as of and for the year ended June 30, 2020, 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, 2020, that contained 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.

Lindsey A. Perry, CPA, CFE
Auditor General

April 22, 2021



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?	No
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
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	Yes
Identification of major programs	
Assistance Listings number	Name of federal program or cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

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

2020-101

Cluster name:	Student Financial Assistance Cluster
Assistance Listings 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 year:	P007A190107; P033A190107; P063P191063; P268K201063 July 1, 2019 through June 30, 2020
Federal agency:	U.S. Department of Education
Compliance requirement:	Special tests and provisions
Questioned costs:	N/A

Condition—The District did not document that it identified reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of its student financial aid information and that it implemented safeguards for each risk identified.

Effect—Without correcting these deficiencies, the District's administration and information technology (IT) management may put the District's operations and IT systems and data, including student financial aid information, at unintended and unnecessary risk.

Cause—The District did not designate an individual to coordinate its information security program over its student financial aid information to manage, assess, and respond to IT risks.

Criteria—The District's Program Participation Agreement with the U.S. Department of Education requires the District to protect student financial aid information by designating an employee to coordinate its information security program. The District must also perform a risk assessment and document a safeguard for each risk identified. (Title 16 U.S. Code of Federal Regulations, Parts 313 and 314, as required by the Gramm-Leach-Bliley Act, P.L. 106-102)

Recommendations—To help ensure that the District protects student financial aid information, the District should:

1. Designate an individual to coordinate its information security program over its student financial aid information.
2. Perform a risk assessment to identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of student financial aid information that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information. The risk assessment should consider risks related to:
 - o Employee training and management.

- Information systems, including network and software design, as well as information processing, storage, transmission, and disposal.
- Detecting, preventing, and responding to attacks, intrusions, or other system failures.

3. Document and implement a safeguard for each risk identified.

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 2019-101.

2020-102

Assistance Listings number and name:	COVID-19 84.425F Education Stabilization Fund—Higher Education Emergency Relief Fund Institutional Portion
Award number and year:	P425F200703; May 6, 2020 through May 5, 2021
Federal agency:	U.S. Department of Education (U.S. ED)
Compliance requirements:	Activities allowed or unallowed, allowable costs/cost principles, and period of performance
Questioned costs:	\$148,160

Condition—The District spent \$148,160 on costs that were not allowable from the institutional portion of the Education Stabilization Fund grant. Of these costs, \$141,205 were not allowable because the District did not demonstrate the costs were associated with significant changes to the delivery of instruction due to the coronavirus pandemic, as follows:

- \$71,460 for family sick leave pay to faculty and staff.
- \$37,170 for severance pay to terminated part-time and student employees.
- \$19,450 for landscaping costs.
- \$13,125 for staff bonus pay.

In addition, the District requested and received reimbursement for \$6,955 of faculty payroll costs that were not allowable because they were incurred prior to March 13, 2020, the date of the nationally declared emergency.

Effect—Using federal funds for unallowable expenses reduces monies available to use for other allowable institutional activities, such as providing laptops or tablets to students, purchasing faculty and staff training online instruction, or making additional financial aid grants to students. Also, U.S. ED will likely require the District to reimburse the \$148,160 in unallowable costs with other District monies and either require the District to return the monies or spend them on allowable costs before the grant expiration date of May 5, 2021.

Cause—When the grant monies became unexpectedly available to mitigate coronavirus effects, the District's administration did not fully recognize the need that costs be specifically related to significant changes in the delivery of instruction due to the coronavirus pandemic. Also, the District did not put procedures in place to document a reasonable basis to determine that costs to be reimbursed under the program were for those institutional activities and costs allowed in the federal regulation and such costs were incurred within the time period allowed.

Criteria—Federal regulation requires Education Stabilization Fund recipients to use the institutional portion of the grant only on costs associated with significant changes to the delivery of instruction due to the coronavirus pandemic and recipients must provide a reasonable basis for concluding costs incurred are allowable as such. In addition, the costs must have been first incurred on or after March 13, 2020, the date of the nationally declared emergency. [Section 18004(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (Public Law 116-136)] Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Recommendations—The District should:

1. Request reimbursement for only those costs associated with significant changes to the delivery of instruction due to the coronavirus pandemic and incurred on or after March 13, 2020.
2. Develop and implement procedures for documenting a reasonable basis for concluding reimbursed costs were only for those institutional activities and costs provided in the federal regulation and such costs were incurred within the time period allowed.

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

DISTRICT SECTION

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Period 7/1/2019 - 6/30/2020**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
NATIONAL SCIENCE FOUNDATION								
EDUCATION AND HUMAN RESOURCES	47.076				\$32,395	\$32,395	N/A	\$0
TOTAL NATIONAL SCIENCE FOUNDATION					<u>\$32,395</u>			
SMALL BUSINESS ADMINISTRATION								
SMALL BUSINESS DEVELOPMENT CENTERS	59.037		MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT	SBHQ-19-B-0026 SBHQ-20-B-0074	\$120,525	\$120,525	N/A	\$0
TOTAL SMALL BUSINESS ADMINISTRATION					<u>\$120,525</u>			
DEPARTMENT OF EDUCATION								
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	20FAEABE-012181-01A 20FAEAPL-012181-01A 20FAEIEL-012181-01A 20FAEIET-012181-01A 20FAWIOA-012181-01A	\$421,859	\$421,859	N/A	\$0
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007				\$94,418	\$94,418	STUDENT FINANCIAL ASSISTANCE	\$7,652,150
FEDERAL WORK-STUDY PROGRAM	84.033				\$91,028	\$91,028	STUDENT FINANCIAL ASSISTANCE	\$7,652,150
TRIO_STUDENT SUPPORT SERVICES	84.042				\$250,862	\$250,862	TRIO CLUSTER	\$250,862
CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	84.048		ARIZONA DEPARTMENT OF EDUCATION	19FCTDBG-912181-20A 20FCTDBG-012181-20A	\$233,718	\$233,718	N/A	\$0
FEDERAL PELL GRANT PROGRAM	84.063				\$6,062,801	\$6,062,801	STUDENT FINANCIAL ASSISTANCE	\$7,652,150
FEDERAL DIRECT STUDENT LOANS	84.268				\$1,403,903	\$1,403,903	STUDENT FINANCIAL ASSISTANCE	\$7,652,150
EDUCATION STABILIZATION FUND	84.425	E COVID-19			\$1,581,618	\$2,256,377	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	F COVID-19			\$674,759	\$2,256,377	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$10,814,966</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$10,967,886</u>			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

Significant Accounting Policies Used in Preparing the SEFA

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.

10% De Minimis Cost Rate

The District did not elect to use the 10 percent de minimis indirect cost rate.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cochise County Community College District for the year ended June 30, 2020. 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*.

Federal Assistance Listings Numbers

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the *2020 Federal Assistance Listings*.

Donated Personal Protective Equipment (PPE)

The District received donated personal protective equipment from the Cochise Health and Social Service department valued in the amount of \$19,177.

DISTRICT RESPONSE



COCHISE COLLEGE

901 North Colombo Avenue • Sierra Vista, AZ 85635-2317 • 520-515-0500 • www.cochise.edu

April 13, 2021

Lindsey Perry
Auditor General
2910 N 44th St, Suite 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 that has been taken or is planned, and the anticipated completion date if not already complete.

Sincerely,

Wendy Davis, Ph.D.
Vice President for Administration

Federal award findings and questioned costs

2020-101

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

Designate an individual to coordinate information security program for financial aid information

David Luna (CIO)

The District has designated Rob Gibbs, CISO, to coordinate its information security program over student financial aid information.

Status: Complete

Perform a risk assessment to identify reasonably foreseeable internal and external risks to security, confidentiality, and integrity of student financial aid information

David Luna (CIO), Rob Gibbs (CISO), and Karen Emmer (Director Financial Aid)

The District has implemented risk assessments related to information security and the program will include assessments related to risks associated with employee training and management; information systems, including network and software design, as well as data processing, storage, transmission, and disposal; and detecting, preventing and responding to attacks, intrusions, and other system failures. Employee training and management practices are in place within the department, as well as data processing, storage, transmission, and disposal practices and will be documented within the Financial Aid office as well as Technology Services.

Status: Partially complete – **Anticipated completion date:** April 30, 2021

Document and implement a safeguard for each risk identified

Rob Gibbs (CISO) and Ramu Muthiah (Director Information Security and Compliance)

The District has implemented the District's incident response plan. It will be used to document and address any identified risks.

Status: Partially complete – **Anticipated completion date:** April 30, 2021

2020-102

CFDA number and name: 84.425F **Education Stabilization Fund-Higher Education Emergency Relief Fund Institutional Portion**

Questioned costs: \$148,160

Name of contact person: Dr. Wendy Davis (VPA)

Anticipated completion date: May 5, 2021

The District recognizes the need to remain within the boundaries of the federal regulation and will strive to ensure that future purchases adhere to those guidelines. To ensure that the District meets this standard, the District will establish a procedure to fully research and document the allowability of a purchase within the scope of the grant.

To address the questioned costs of \$148,160, the District has requested guidance from the Department of Education on the approved manner to resolve this issue. The District anticipates this matter to be resolved by May 5, 2021.



COCHISE COLLEGE

901 North Colombo Avenue • Sierra Vista, AZ 85635-2317 • 520-515-0500 • www.cochise.edu

February 1, 2021

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,

Wendy Davis, Ph.D.
Vice President for Administration

Cochise County Community College District
Summary schedule of prior audit findings
Year ended June 30, 2020

Status of financial statement findings

Managing risk

Finding number: 2019-01. This finding initially occurred in fiscal year 2017.

Status: Partially corrected

The District agrees with the Auditors' assessment and recognizes the threat and the potential liabilities of diminished information technology security. The District has begun the implementation of policies and procedures to address the management of risk. In addition, the District has begun an annual entity-wide risk assessment study to identify risks, analyze risks, and determine the best course of action in addressing possible risks.

Information technology (IT) controls—access, configuration and change management, security, and contingency planning

Finding number: 2019-02. This finding initially occurred in fiscal year 2017.

Status: Partially corrected

The District agrees with the Auditors' assessment regarding information technology (IT) controls – access, configuration and change management, security, and contingency planning. Over the past 12 months, the District has implemented policies to address deficiencies in these matters. The completion of the policies has been hindered by personnel shortages in the IT department. The fulfillment of the implementation is ongoing.

Cochise County Community College District
Summary schedule of prior audit findings
Year ended June 30, 2020

Status of federal award findings and questioned costs

Assistance Listings and program name:	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
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Finding number: 2019-101
Status: Not corrected

The District agrees that it had no evidence that it had performed the required risk assessment and documented safeguards of the student financial aid information that it maintains. The District has worked over the last 12 months to recruit and hire data security specialist to implement policies and perform the required risk assessments.

Assistance Listings and program name:	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
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Finding number: 2019-102. This finding initially occurred in fiscal year 2018.
Status: Fully corrected

