



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Cochise County Community College District

Year Ended June 30, 2015



Debra K. Davenport
Auditor General

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Cochise County Community College District
Single Audit Reporting Package
Year Ended June 30, 2015

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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
Cochise County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Cochise County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2015. Our report includes a reference to other auditors who audited the financial statements of the Cochise College Foundation, the discretely presented component unit, and includes a qualified opinion on the discretely presented component unit's financial statements because of a departure from U.S. generally accepted accounting principles 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 Cochise 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 Cochise 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

December 11, 2015



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 OMB Circular A-133

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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, Cochise 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101. Our opinion on each major federal program is not modified with respect to this matter.

Cochise County Community College District's response to the noncompliance finding identified in our audit is presented on pages 13 and 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 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101, that we consider to be a significant deficiency.

Cochise County Community College District's response to the internal control over compliance finding identified in our audit is presented on pages 13 and 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.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and discretely presented component unit of Cochise County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 11, 2015, that contained an unmodified opinion on the financial statements of the business-type activities and a qualified opinion on the financial statements of the discretely presented component unit. 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA
Financial Audit Director

January 27, 2016

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**Cochise County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
Department of Agriculture					
10 Unknown	Rural Development-Cooperative Programs				\$ 35,568
Department of Labor					
17 274	Youthbuild		Cochise County Private Industry Council	Youth Career Connect	17,419
National Science Foundation					
47 076	Education and Human Resources				3,118
47 076	Education and Human Resources		Science Foundation Arizona	DUE-1003847, STEM 606-14/due-1400687	139,337
Total National Science Foundation					<u>142,455</u>
Small Business Administration					
59 037	Small Business Development Centers		Maricopa County Community College District	4-603001-EZ-0025, 5- 603001-EZ-0004	128,305
Department of Education					
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	15-FAEABE-512181-16B, 15FAEAEF-512181-16B, 15FAEADL-512181-16B, 15FAECCR-512181-05A	467,094
84 042	TRIO—Student Support Services	TRIO Cluster			235,390
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	14FCTDBG-412181-08A, 15FCTDBG-512181- 20A0A, 14FCTPSG- 412181-81A, 15FCTPSG- 512181-43B	213,411
Total Department of Education excluding Student Financial Assistance Cluster					<u>915,895</u>
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			72,917
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			83,167
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			6,859,546
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			2,060,693
Department of Health and Human Services					
93 925	Scholarships For Health Professions Students from Disadvantaged Backgrounds	Student Financial Assistance Cluster			156,358
<i>Total Student Financial Assistance Cluster</i>					<u>9,232,681</u>
Total expenditures of federal awards					<u>\$ 10,472,323</u>

See accompanying notes to schedule.

Cochise County Community College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cochise County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the word "unknown" were used.

Cochise County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion for the business-type activities and qualified opinion for the discretely presented component unit.

	Yes	No
Internal control over financial reporting:		
Material weakness identified?	___	<u>X</u>
Significant deficiency identified?	___	<u>X</u> (None reported)
Noncompliance material to the financial statements noted?	___	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weakness identified?	___	<u>X</u>
Significant deficiency identified?	<u>X</u>	___
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.042	TRIO—Student Support Services Student Financial Assistance Cluster:
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
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds

Cochise County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?

Yes	No
<u>X</u>	___

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

<u>X</u>	___
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Cochise County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Financial Statement Findings

None reported.

Federal Award Findings and Questioned Costs

2015-101

Cluster Name:	Student Financial Assistance Cluster
CFDA No. and Name:	84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award Numbers and Years:	P063P141063 and P268K151063–July 1, 2014 through June 30, 2015
Federal Agency:	Department of Education
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	N/A

Criteria: 34 CFR §685.309(b) and §690.83(b)(2) requires institutions to notify the National Student Loan Data System (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: For 6 of 11 sample items tested, auditors determined that the change in student status was not reported to NSLDS within 30 days nor was the change included in a response to an enrollment reporting roster file within 60 days.

Effect: The District did not comply with the enrollment reporting requirement included within the special tests and provisions compliance requirement. Consequently, student statuses in the NSLDS were not always accurate and up to date.

Cause: The District did not have adequate policies and procedures in place to ensure student statuses were reported within 30 days or included in a response to an enrollment reporting roster file within 60 days.

Recommendation: The District should implement policies and procedures to ensure that status changes are submitted to the NSLDS within 30 days or included in a response to an enrollment reporting roster file within 60 days.

This finding is similar to prior-year finding 2014-101.

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COCHISE COLLEGE

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January 27, 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 U.S. Office of Management and Budget Circular A-133. Specifically, for the federal award finding, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

LaMont Schiers
Vice President for Administration

Cochise County Community College District
Corrective Action Plan
Year Ended June 30, 2015

Federal Award Findings and Questioned Costs

2015-101

Cluster Name:	Student Financial Assistance Cluster
CFDA No. and Name:	84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Contact Person:	LaMont Schiers, VP for Administration
Anticipated completion date:	TBD

The District agrees with this recommendation. The District has been unsuccessful in updating the National Roster in the required time frame of 30 days following a change in a student's enrollment status. The District is in the process of implementing the following course of action.

In September 2015 the District removed the National Student Clearinghouse (NSCH) as the third party intermediary for student status reporting with the National Student Loan Data System (NSLDS), and is currently dealing directly with the NSLDS on all issues. Before this change, NSLDS would not take information from the District directly due to the arrangement the NSLDS has with the NSCH. The District intends to work directly with the NSLDS to insure the accuracy of the information the District is reporting is received and posted correctly and in a timely fashion on the National Student Enrollment Roster. Unfortunately the effort required to formalize the process to assure the appropriate data is transmitted, received and posted as required by Federal Grants and Financial Aid Programs, is taking longer than initially anticipated.

The District has every intention of meeting this requirement, and continues to work through the details of this commitment to meet the timeline requirements of 1) notifying the NSLDS within 30 days or 2) including the change in status in a response to and enrollment reporting roster file within 60 days. The District is continuing to work with these National Reporting Agencies, but it cannot mandate their courses of action nor does the District have any influence over how quickly they will respond to requested changes in processes currently in place. Although the District has every intention of rectifying this discrepancy, the time necessary to correct all required steps to insure accurate reporting may not be completed before the next audit cycle. Cochise County Community College District is proactively and aggressively working on finding the needed solutions to these difficult and complex organizational challenges.



COCHISE COLLEGE

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January 27, 2016

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

Dear Ms. Davenport:

We have prepared the accompanying Summary Schedule of Prior Audit Findings as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit' s Schedule of Findings and Questioned Costs related to federal awards.

Sincerely,

LaMont Schiers
Vice President for Administration

Cochise County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Status of Federal Award Findings and Questioned Costs

Cluster Name:	Student Financial Assistance Cluster
CFDA No. and Name:	84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Finding No.:	2014-101
Status:	Partially corrected

The District modified and implemented the required procedures in January 2015 to formalize the reporting process. Our Registrar Office reports all changes in student status to the National Student Clearinghouse (NSCH) to meet the time line requirement of notifying the National Student Loan Data System (NSLDS) within 30 days or to include the change in status in a response to an enrollment reporting roster file within 60 days.

The District's Financial Aid Office has been monitoring the movement of all enrollment data to the NSLDS through the NSCH.

This past fall, it was determined by our Financial Aid Office, that much of what the District was reporting to the NSCH was not being passed onto the NSLDS even though our Registrar's Office had been reporting the District's student status changes within the required 30 day window. The District began correspondence with both parties to determine where the break down in communications was taking place. The District continues to work with the NSLDS to capture and report accurate data in the required reporting timeframe. Although the District has been reporting regularly and timely to the NSCH, the data in question has not been conveyed to the NSLDS in an accurate and timely fashion. In September 2015 the District elected to remove the NSCH as the third party intermediary for student status reporting with the NSLDS, and is now dealing directly with the NSLDS. This new process has not yet been completely formalized. The District has every intention of meeting this requirement and is still working diligently through the details required to successfully achieve this commitment.