

# Maricopa County Community College District

Report on Internal Control  
and on Compliance

Year Ended June 30, 2020

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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  
Maricopa County Community College District

We have audited, 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, the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2020, 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 17, 2020. Our report includes a reference to other auditors who audited the financial statements of the Maricopa County Community College District Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements 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 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and recommendations, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2020-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2020-01 and 2020-02 to be significant deficiencies.

### **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 financial statements. 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*.

### **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 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 A. Perry, CPA, CFE  
Auditor General

December 17, 2020



# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

## Financial statement findings

### 2020-01

The District's supervisors did not always review and approve hourly employees' time sheets, elevating the risk of overpaying them and putting the District at risk of violating the Arizona Constitution

**Condition**—During the fiscal year, the District's various departments' management and its central payroll department did not ensure that supervisors reviewed and approved all hourly employees' time sheets for accuracy and proper allocations as District policies require. The District had 8,000 hourly employees that it paid approximately \$35 million in total wages during the fiscal year, and we found that some of these employees' timesheets were never approved.

**Effect**—The District risks paying some of its 8,000 hourly employees for hours they did not work, which could result in overpaying them and violating the Arizona Constitution. We and the District could not determine the total number of time sheets that may not have been approved throughout the fiscal year or whether any employees may have been overpaid because of the District's payroll system limitations.

**Cause**—The District's various departments' management and its central payroll department do not have sufficient procedures to follow up with department supervisors and verify when and if hourly employee time sheets were reviewed and approved as required by District policies. Although the central payroll department sends multiple alerts to department supervisors, the District's payroll system is not capable of tracking approvals after it issues paychecks.

**Criteria**—The District's policies and procedures require a supervisory review and approval of hourly employees' time sheets within the payroll system, either prior to processing payroll or within a reasonable time period after, to ensure the District pays employees for only authorized hours worked and can quickly rectify any errors. Further, the Arizona Constitution, Art. IX, Sec. 7, bans gifts or loans of public monies, which would include payroll overpayments, to individuals by community college districts.

**Recommendations**—The District should develop effective procedures to:

1. Ensure that all District supervisors follow existing policies and procedures requiring them to review and approve employee time sheets before employees receive payment or within a reasonable time period after to verify the employees' time worked was accurate and properly allocated.
2. Monitor whether supervisory reviews and approvals of employee time sheets are done prior to processing payroll or within a reasonable time period after and follow up with supervisors who have outstanding time sheets to ensure those time sheets are reviewed and approved.

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 2019-02.

## 2020-02

### The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk

**Condition**—The District's process for managing and documenting its risks did not include an overall risk assessment process that included analyzing and responding to identified District-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

**Effect**—Without correcting these deficiencies, the District's administration and IT management may put the District's operations and IT systems and data at unintended and unnecessary risk.

**Cause**—The District did not allocate resources sooner in the fiscal year to complete the risk assessment and needed to shift its IT resources to address its work environment during the COVID-19 pandemic.

**Criteria**—The District should follow a credible industry source such as the National Institute of Standards and Technology to help effectively manage risk at the District. Effectively managing risk includes an entity-wide risk assessment process that involves members of the District's administration and IT management. The risk assessment should determine the risks the District faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the District might be subjected. To help ensure the District's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the District should analyze the identified risk and develop a plan to respond within the context of the District's defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information.

**Recommendations**—The District should:

1. Allocate sufficient resources to implement a process for managing and documenting risks.
2. Evaluate risks identified in the annual entity-wide risk assessment and document and implement a safeguard for each risk.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the District holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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 finding 2019-03.

## 2020-03

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

**Condition**—The District's control procedures for restricting access to its IT systems and data were not sufficiently designed, documented, and implemented to consistently help prevent or detect unauthorized or inappropriate access 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.

**Cause**—The District did not designate resources to review and update its existing access controls policies and procedures to ensure they are more robust and easier for employees to follow. In addition, the District did not sufficiently monitor employees who were responsible for restricting access to IT systems and data to ensure they understood their responsibilities.

**Criteria**—The District should follow a credible industry source such as the National Institute of Standards and Technology to implement effective internal controls that protect its IT systems and help ensure the integrity and accuracy of the data it maintains. This includes restricting access through logical access controls to help 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.

**Recommendations**—The District should:

1. Make it a priority to review and update, as necessary, its existing policies and procedures.
2. Monitor employees who are responsible for restricting access to IT systems and data to ensure they understand their responsibilities.
3. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
4. Remove terminated employees' access to IT systems and data.
5. Review all other account access to ensure it remains appropriate and necessary.
6. Enhance authentication requirements for IT systems.

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 finding 2019-04.



# DISTRICT RESPONSE



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February 12, 2021

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,

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

**Maricopa County Community College District**  
**Corrective Action Plan**  
**Year ended June 30, 2020**

## **Financial statement findings**

### **2020-01**

**The District's supervisors did not always review and approve hourly employees' time sheets elevating the risk of overpaying them and putting the District at risk of violating the Arizona Constitution**

***Names of contact persons: Kim Granio and Martha Anderson***

Anticipated completion date: June 2021

The District agrees with the finding. The District's Human Capital Management System (HCM) is not currently configured to require supervisory approvals of time sheets prior to paying employees for hours recorded as Department of Labor regulations require that employees be paid for time worked regardless of approval status. A process to manually approve any time worked and paid, but not approved in HCM, was re-initiated in the fall 2019. Monitoring and additional efforts to increase compliance are under review and will be strengthened. Additionally, expenses including wages are monitored monthly by all business units within the District and any deviations from expectations would be investigated and corrected, if applicable. Finally, the manual approval process re-initiated in 2019 includes emails automatically sent from HCM to the time approver every pay period detailing any time they did not approve. It is expected that any erroneous time reported and paid would be immediately addressed.

### **2020-02**

**The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk**

***Name of contact person: Jacob Vipond***

Anticipated completion date: Completed

The District agrees with the finding. The risk assessment summary data was received the day before the audit deadline and the responses are now complete.

### **2020-03**

**The District's control procedures over IT systems and data were not sufficient, which increases the risk that District may not adequately protect those systems and data**

***Name of contact person: Jacob Vipond***

Anticipated completion date: June 2022

The District agrees with the finding. Maricopa is currently updating processes for the annual review of documentation outlining roles, access levels and permissions to enhance the protection of the District's IT systems and data.

