



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Report on Internal Control and Compliance

# Maricopa County Community College District

Year Ended June 30, 2009

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**Debra K. Davenport**  
Auditor General

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Maricopa County Community College District  
Report on Internal Control and Compliance  
Year Ended June 30, 2009

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

WILLIAM THOMSON  
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 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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2009. Our report was modified to include a reference to our reliance on other auditors. 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. Other auditors 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 financial statements of the Maricopa County Community College District Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider items 09-01 through 09-03 described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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*.

The District's responses to the findings identified in our audit are presented on pages 7 through 8. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport  
Auditor General

December 1, 2009

Maricopa County Community College District  
Schedule of Findings and Recommendations  
Year Ended June 30, 2009

**Maricopa County Community College District Findings**

09-01

**The District should strengthen computer access controls**

Criteria: The District should have effective computer access controls to prevent and detect unauthorized use, damage, loss, or modification of programs and data, and misuse of sensitive or confidential information.

Condition and context: The District uses three main computerized systems to initiate, record, process, and report financial, human resources, payroll, and student information. While testing internal controls for these systems, auditors noted the District did not have policies and procedures in place that prescribed guidelines for granting access to its computer systems to help ensure employees were assigned the appropriate level of system access that was compatible with the employees' job duties. Also, the District could not provide documentation demonstrating who requested and approved the users access to these systems. In addition, the District had five user-access accounts that had unlimited access privileges that were not assigned to a specific employee, and numerous administrators and superusers who had unlimited access privileges.

Effect: There is an increased risk of theft, manipulation, or misuse of sensitive or confidential information by unauthorized users. This finding is a material internal control weakness over financial reporting.

Cause: The District did not establish district-wide policies and procedures for access to the human resources and payroll system and the financial system. In addition, the student information system's policies and procedures were poorly designed.

Recommendation: The District should establish and implement the following policies and procedures to help strengthen system access controls:

- Develop a standardized form to document access rights and approvals.
- Retain the system-access authorizations.
- Identify roles and responsibilities considered incompatible and prevent these roles from being assigned to any one employee.
- Eliminate the accounts not assigned to specific users.
- Limit the number of administrative and superusers, and require that their activities on the system be independently monitored and reviewed.

A similar finding was noted in the previous year.

Maricopa County Community College District  
Schedule of Findings and Recommendations  
Year Ended June 30, 2009

09-02

**The District should strengthen computer change controls**

Criteria: Changes to the District's computer systems should be documented, authorized, tested, reviewed prior to implementation, and reviewed against planned outcomes following implementation. Effective change management controls should ensure that program changes and changes to data are valid, meet user needs, and are subject to review and independent approval.

Condition and Context: The District did not have adequate procedures in place to ensure that all system changes were properly documented, authorized, tested, and reviewed prior to implementation for its computerized financial, human resources, payroll, and student information systems. While testing internal control over program change management, auditors noted that for 8 of 16 program changes to the human resources and payroll system tested and for 3 of 16 changes to the financial system tested, the District could not provide documentation that the changes were tested before being placed into production. Additionally, for 3 of 16 program changes to the human resources and payroll system tested, documentation that the changes were approved before being placed into production was not retained. In addition, the District did not reconcile all changes moved into the production to those changes approved and authorized. Further, database administrators, development managers, and programmers had incompatible responsibilities as individuals programming the changes could approve and move the changes into production.

Effect: Inadequate program change management could lead to unauthorized changes and changes not applied correctly. Also, differences between user expectations and business requirements could occur and go undetected.

Cause: The District's change management plan and implementation of the tracking system for program changes was not completed for use during the fiscal year.

Recommendation: The District should monitor and enforce formal written policies and procedures in the change management plan. In addition, the District should ensure there is an adequate separation of responsibilities between those individuals programming the changes, ensuring the integrity of the data, and moving the changes into production.

A similar finding was noted in the previous year.

Maricopa County Community College District  
Schedule of Findings and Recommendations  
Year Ended June 30, 2009

09-03

**The District should test its disaster recovery plan**

Criteria: It is crucial that the District have an up-to-date and tested disaster recovery plan in place to provide for the continuity of operations in the event of a system or equipment failure or other system interruption. Disaster recovery plans should be tested periodically, and modifications should be made to correct any problems to ensure its effectiveness.

Condition and Context: The District uses computerized information systems to process and store financial and student information that is vital to its daily operations. When obtaining an understanding of the District's internal control over its computerized human resources, payroll, and student information systems, auditors noted that the District did not maintain an up-to-date disaster recovery plan or periodically test its plan. Specifically, the District just updated its 2003 disaster recovery plan in May 2009, and tested the revised plan in June 2009. In addition, the District's student information system backup server is physically located next to the main system server.

Effect: In the event of a disaster, both the main server and the student information system backup server would be unavailable for operation, resulting in the inability to support the District's activities. Further, without regularly testing the disaster recovery plan, the District is not aware of any weaknesses that may impede the recovery of their data and systems.

Cause: The District purchased a Data Center and Disaster Recovery Facility after having identified the need to create a functioning offsite location. However, the Governing Board placed the project on hold because of the economic and budget uncertainties. As such, the site is not functioning, and the student information system backup server was still physically located next to the main server. Further, the lack of understanding the priority of an updated and tested disaster recovery plan resulted in years of having an outdated and untested plan.

Recommendation: The District's disaster recovery plan should be regularly updated, periodically tested, and properly distributed to necessary personnel for each of its critical systems. Further, the District should ensure that the student information system backup server is located at a different physical location than the main system server.

A similar finding was noted in the previous year.



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January 22, 2010

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying corrective action plan has been prepared as required by Government Auditing Standards. Specifically, we are providing you with the names of the contact people responsible for the corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the Schedule of Findings and Recommendations for the fiscal year ended June 30, 2009.

Sincerely,

Kimberly Brainard Granio, CPA  
Director, Financial Services and Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

Corrective Action Plan  
Year Ended June 30, 2009

Financial Statement Findings

09-01

The District should strengthen computer access controls

Contact person: Earl Monsour

Anticipated completion date: June 2010

Corrective Action Planned:

The District agrees with the finding and the recommendations. Information Technology Services will work closely with the colleges to develop processes and procedures to implement the recommendation.

09-02

The District should strengthen computer change controls

Contact person: Earl Monsour

Completion date: June 2009

Corrective Action:

The District has developed an Information Technology Change Management (ITCM) program. Processes and procedures have been developed. Several change boards have been established with varying authorization and approval levels. Responsibilities of each group and individual have been defined. A Change Manager has been assigned. These processes and procedures will be continued.

09-03

The District should test its disaster recovery plan

Contact person: Earl Monsour

Completion date: October 2009

Corrective Action:

The District has completely restructured and updated the Information Technology Services Disaster Recovery Plan. The plan was distributed to the appropriate teams. The recoverability of each major system was tested to successful completion. This activity was accomplished by June 30, 2009. A schedule of continued testing has been established. As of October 2009, a server for backup of the student information system data has been located off-site and is connected with a dedicated high speed circuit to the main computer center in order to maintain near real time data. In December 2009, the Governing Board approved moving forward with the completion of the Data Center and Disaster Recovery Facility. Contracts for the work to be completed will be sent to the Governing Board for approval beginning in January 2010.