

REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

The District spent \$137.5 million of federal monies and additional required matching monies this past year for 52 programs. The largest federal programs consisted of student financial assistance and education programs. In return, the District must be accountable for its use of both federal and state monies, maintain strong internal controls, and comply with federal program requirements. As auditors, our job is to determine whether the District has met its responsibilities.

Our Conclusion

The District maintained adequate internal controls over financial reporting with three exceptions. The District also maintained adequate internal controls over, and complied with federal program requirements except for internal control weaknesses and instances of noncompliance with program requirements noted by the auditor for the major programs tested. See pages 2 and 3 for further details.



2007

Year Ended June 30, 2007

Federal Expenditures Decreased by \$6.4 Million from Fiscal Year 2006

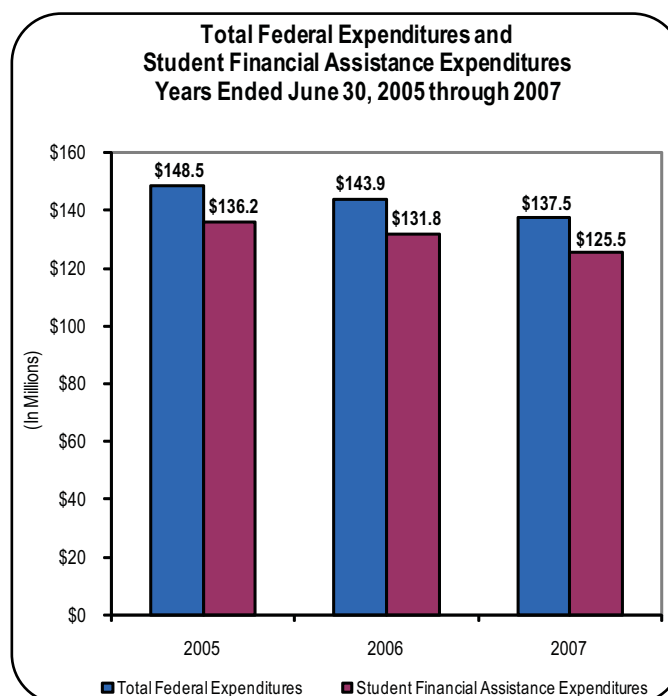
The District's federal expenditures decreased by \$6.4 million, or 4.5 percent, from fiscal year 2006 after decreasing by \$4.6 million, or 3.1 percent, from fiscal year 2005 as illustrated in the figure below.

The decrease was almost entirely due to a \$6.3 million, or 4.8 percent, decline in student financial assistance (SFA) awards from the prior fiscal year. In total, the Districts spent 91.3 percent of its federal monies for SFA programs in fiscal year 2007.

The following three student financial assistance programs had significant changes from fiscal year 2006:

- The Federal Pell Grant Program decreased by \$4.1 million (8.4 percent).
- The Federal Family Education Loans program decreased by \$1.1 million (1.6 percent).
- The Federal Direct Student Loans program decreased by \$1.3 million (13.7 percent).

The decreased expenditures in SFA resulted primarily from decreases in student enrollment. Also, a smaller percentage of students applied for student financial aid.



The District Did Not Always Comply with Federal Requirements

Auditors identified and tested three federal programs under the guidelines established by the Single Audit Act. The federal programs tested were the Education and Human Resources program, Student Financial Assistance Cluster, and Adult Education—State Grant Program. Audit tests on the programs included evaluating the District's compliance with each program's federal regulations generally related to expenditures, eligibility, and special requirements. Auditors noted internal control weaknesses and instances of noncompliance for the Education and Human Resources program and Student Financial Assistance Cluster.

Education and Human Resources

The District did not maintain sufficient documentation to determine if special service employment contracts were approved prior to the work being performed. Also, documentation was not maintained to verify that the work was completed by the employees before they were paid. As a result, auditors were unable to determine if seven employees were properly paid a total of \$40,096. Further, Glendale Community College, Mesa Community College, and Phoenix College awarded scholarships to 12 students who either did not demonstrate financial need or did not maintain full-time equivalency status. These students received \$20,875 in scholarships under the federal program. A total of \$60,971 was reported as questioned costs for these findings.

Student Financial Assistance Cluster

The District did not have adequate internal controls to ensure compliance with the Student Financial Assistance Cluster's compliance requirements. As a result, auditors noted the following three instances of noncompliance at the District's college campuses:

- Chandler/Gilbert Community College, Estrella Mountain Community College, Mesa Community College, Paradise Valley Community College, and Rio Salado College did not complete Student Status Confirmation Reports every 60 days to notify lenders of each student's current enrollment status.
- Maricopa Skill Center, Mesa Community College, Phoenix College, and Rio Salado College, did not disburse federal loans to 13 students within the required time frames.
- For federal loans that were disbursed during the period July 1, 2006 through June 30, 2007, Paradise Valley Community College did not adjust award amounts that were recorded incorrectly on the Direct Loan Servicing System until January 2008.

Three Financial Reporting Weaknesses Were Identified

A weakness was reported because the District should update and test its disaster recovery plans for its computer systems. The District uses three computerized information systems to process, record, and store information that is vital to its daily operations. Therefore, it is critical for the District to have an up-to-date contingency plan in place to provide continued operations and prevent loss of data. However, the District did not have a disaster recovery plan for its student information system. Also, the District had not updated or tested its disaster recovery plan for its general ledger or payroll systems since 2003. As a result, the District risks losing valuable data during a disruption or disaster.

Two weaknesses were also reported for the Maricopa County Community College District Foundation. The Foundation is classified as a component unit of the District and is a legally separate, tax-exempt organization. Recommendations were provided by the Foundation's auditors to improve controls over financial statement preparation and separating accounting responsibilities among employees.

These financial reporting internal control weaknesses were included in a separately issued Report on Internal Control and Compliance dated December 17, 2007.

The Single Audit Fact Sheet

- Three weaknesses were identified over financial reporting in a separately issued Report on Internal Control and Compliance.
- Five weaknesses in federal compliance internal controls were noted that resulted in noncompliance with federal compliance requirements.
- Program costs totaling \$60,971 were questioned as a result of the audit.

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A copy of the full report
can be obtained by calling
(602) 553-0333



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our Web site at:
www.azauditor.gov

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**Maricopa County
Community College
District**

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Year Ended June 30, 2007