



## REPORT HIGHLIGHTS SINGLE AUDIT

### Subject

Maricopa County Community College District issues financial statements and a schedule of expenditures of federal awards annually. The District is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. As the auditors, our job is to determine whether the District has met its responsibilities.

### Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. Also, auditors identified internal control weaknesses and instances of noncompliance with federal program requirements, which are summarized on this page.



# 2011

Year Ended June 30, 2011

## Summary of Audit Findings

For the financial statement audit, auditors found internal control weaknesses over the District's computer systems and reporting of scholarship allowances. For the federal compliance audit, auditors tested ten federal programs under the guidelines established by the Single Audit Act. Of the ten federal programs tested, auditors noted internal control weaknesses and noncompliance with certain programs' requirements. The noncompliance was considered to be material for the WIA Cluster and Adult Education—Basic Grants to States program. The Report on Internal Control and Compliance and Single Audit Report contain further details and auditor recommendations. The findings are summarized below.

### Financial Statement Findings—

#### Computer System Access and Change Controls—

The District did not have adequate internal controls over its three main computer systems to help ensure that supervisors approved and documented system access granted to employees or that users' system access was revoked after users terminated employment. Further, the District did not monitor the activities of users with unlimited system access privileges, and users had incompatible responsibilities including approval and implementation of system changes.

**Scholarship Allowances—**The District used an inaccurate report from its Student Information System to determine the scholarship allowance amount, resulting in a \$11.7 million error that the District corrected on its financial statements.

### Federal Award Findings—

**WIA Cluster, National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program, Adult Education—Basic Grants to States, and Higher Education—Institutional Aid—**The District did not always prepare an annual statement to

verify the work employees performed. As a result, unallowable federal charges or improper payments could occur.

#### Adult Education—Basic Grants to States, Higher Education—Institutional Aid, TRIO Cluster, and Student Financial Assistance Cluster—

The District did not always maintain evidence that supervisors reviewed cash management reports prior to submission. As a result, the District could request reimbursement for costs not incurred and receive federal monies that it is not entitled to.

#### Investments for Public Works and Economic Development Facilities—

The District paid over \$464,000 in program monies to contractors and subcontractors for construction projects without reviewing certified payrolls to ensure that the contractors and subcontractors were paying prevailing wages. As a result, the laborers and mechanics could be paid at less than prevailing wage rates.

## Summary of Financial Information

A condensed summary of the District's basic financial statements and Schedule of Expenditures of Federal Awards follows:

**Statement of Net Assets**—This statement reports all of the District's assets, liabilities, and net assets using the accrual basis of accounting. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in land, buildings, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

**Statement of Revenues, Expenses, and Changes in Net Assets**—This statement shows how net assets changed during the year. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of the current-year operations. The District's net assets increased by \$104 million during the fiscal year.

**Schedule of Expenditures of Federal Awards**—The District's expenses included \$392 million in federal awards expended. The District's expenditures of federal award monies increased by \$75 million, or 24 percent, compared to fiscal year 2010. The increase was attributed to an additional \$52 million received for the Federal Pell Grant Program and \$177 million for Federal Direct Student Loans, while Federal Family Education Loans decreased by \$151 million.

Condensed Statement of Net Assets June 30, 2011 (In Millions)	
<b>Assets:</b>	
Current	\$ 491
Noncurrent, other than capital	431
Capital	<u>703</u>
Total assets	<u>1,625</u>
<b>Liabilities:</b>	
Current	138
Noncurrent	<u>723</u>
Total liabilities	<u>861</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	208
Restricted	158
Unrestricted	<u>398</u>
Total net assets	<u>\$ 764</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2011 (In Millions)	
<b>Operating revenues:</b>	
Tuition and fees	\$ 146
Other	<u>16</u>
Total operating revenues	<u>162</u>
<b>Operating expenses:</b>	
Educational and general	688
Auxiliary enterprises	43
Depreciation	37
Other	<u>1</u>
Total operating expenses	<u>769</u>
Operating loss	<u>(607)</u>
<b>Nonoperating revenues and expenses:</b>	
Property taxes	461
State appropriations	45
Grants and contracts	205
Other	24
Interest expense on debt	<u>(24)</u>
Net nonoperating revenues	<u>711</u>
Increase in net assets	104
Net assets—July 1, 2010	<u>660</u>
Net assets—June 30, 2011	<u>\$ 764</u>

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Millions)	
U.S. Department of Education	\$384
Other	<u>8</u>
Total federal expenditures	<u>\$392</u>

TO OBTAIN  
MORE INFORMATION

The District's Single  
Audit Report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2011