

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

The District spent \$143.9 million of federal monies and additional required matching monies this past year for 56 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. 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 page 2 for further details.



2006

Year Ended June 30, 2006

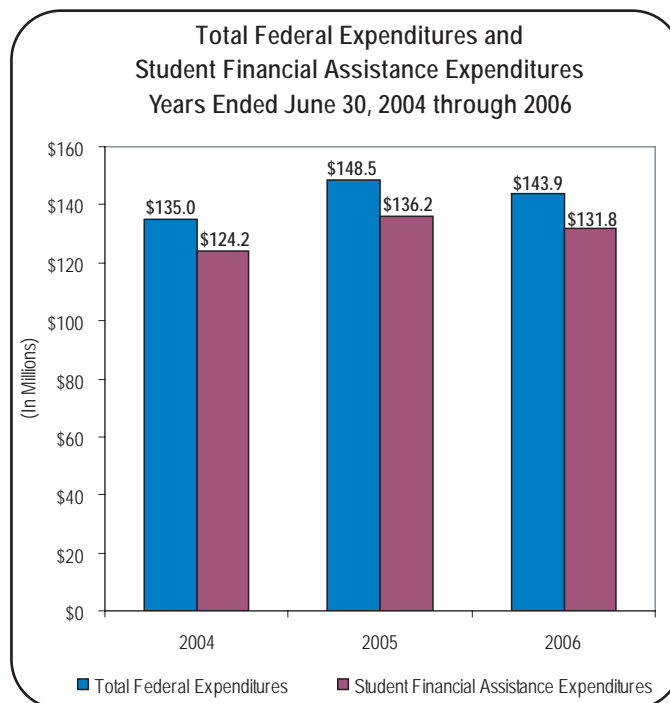
Federal Expenditures Decreased by \$4.6 Million from Fiscal Year 2005

The District's federal expenditures decreased by \$4.6 million, or 3 percent, from fiscal year 2005 after increasing by \$13.5 million, or 10 percent from fiscal year 2004 as illustrated in the figure below.

The decrease was almost entirely due to a \$4.4 million, or 3.3 percent decline in student financial assistance (SFA) awards from the prior fiscal year. In total, the Districts spent 91.6 percent of its federal monies for SFA programs in fiscal year 2006.

The following two student financial assistance programs had significant changes from fiscal year 2005:

- The Federal Pell Grant Program decreased by \$6.2 million (11.3 percent). The decrease in expenditures resulted from a decrease in student enrollment at the District.
- The Federal Family Education Loans (FFEL) program increased by \$2 million (2.9 percent). The increase in expenditures resulted primarily because Rio Salado Community College resumed issuing FFEL to students again in December 2004. Fiscal year 2006 was the first full year students received these loans.



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 Student Financial Assistance Cluster, Adult Education—State Grant Program, and Education and Human Resources Program. Audit tests on the programs included evaluating the District’s compliance with each program’s federal regulations generally related to expenditures, eligibility, reporting, and special requirements. Auditors noted the following internal control weaknesses and instances of noncompliance for each program tested:

Education and Human Resources

The District did not maintain sufficient documentation to determine if employees paid under special services employment contracts stipends were adequately approved prior to work being performed. Also, documentation was not maintained to verify that the work was completed by the employees. As a result, auditors were unable to determine if 15 employees were properly paid a total of \$55,323. Further, Mesa Community College awarded five scholarships to students that did not

demonstrate financial need. These students received \$13,500 in scholarships under the federal program. A total of \$68,823 was reported as questioned costs for these findings.

Student Financial Assistance Cluster

Mesa and Rio Salado Community Colleges did not complete Student Status Confirmation Reports every 60 days to notify lenders each student’s current enrollment status. In addition, auditors noted that for 9 students tested, the District did not disburse federal loans to students within the required time frames.

Adult Education—State Grant Program

The District did not maintain documentation justifying why two vendors were classified as sole source vendors and did not document a contract used through a purchasing cooperative was bid in accordance with the District’s policies and procedures. Further, the District did not have procedures to prevent program-related purchases from businesses that were suspended or debarred from doing business with the federal government.

The Single Audit Fact Sheet

- No weaknesses in financial reporting internal controls were noted.
- Five weaknesses in federal compliance internal controls were noted that resulted in immaterial noncompliance with federal compliance requirements.
- Program costs totaling \$68,823 were questioned as a result of the audit.

TO OBTAIN MORE INFORMATION

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this report:
Philip Shultz

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