



**MOHAVE COUNTY COMMUNITY
COLLEGE DISTRICT**

SINGLE AUDIT

Year Ended June 30, 2012

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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Reports Issued Separately

Comprehensive Annual Financial Report

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*

**Report of Independent Auditor on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal
Control Over Compliance in Accordance With
OMB Circular A-133**

To the Governing Board of
Mohave County Community College District, Kingman, Arizona
and
Auditor General of the State of Arizona

Compliance

We have audited Mohave County Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

To the Governing Board of
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Auditor General of the State of Arizona

In our opinion, Mohave County Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01 and 12-01.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all

To the Governing Board of
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deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-01 and 12-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District as of and for the year ended June 30, 2012, and have issued our report thereon dated February 18, 2013 that contained an unqualified opinion on those financial statements. Our report was modified to include a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Governing Board of
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Mohave County Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mohave County Community College District's responses, and accordingly, we express no opinion on them.

The purpose of this report is solely to 1) describe the scope of our testing of internal control over compliance and the results of that testing; and 2) express an opinion on compliance based on our audit. This report is an integral part of an audit performed in accordance with OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
February 18, 2013

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Federal Grantor Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Office of Library Services, Institute of Museum & Library Services Passed through the Arizona Library, Archives and Public Records Oral History of Southwest Mohave County	45.310	251-04-01	\$ 5,345
U.S. National Science Foundation Collaborative Research: Motivated Engineering Transfers -- STEM Talent Expansion Program (METSTEP)	47.076		410
U.S. Small Business Administration Passed through Maricopa County Community College District Small Business Development Center (7/1-12/31/11) Small Business Development Center (1/1-6/30/12)	59.037 59.037	0-603001-Z-0003-19 SBAHQ-12-B-0046	41,090 27,156 <u>68,246</u>
U.S. Department of Education Student Financial Assistance Cluster Federal Supplemental Educational Opportunity Grants Federal Work-Study Program Federal Pell Grant Program Federal Direct Student Loans Total Student Financial Assistance Cluster	84.007 84.033 84.063 84.268		133,642 146,261 11,511,535 11,144,455 <u>22,935,893</u>
Title III - Higher Education Institutional Aid	84.031A		355,894
Passed through the Arizona Department of Education Adult Education - State Grant Program Adult Education - State Grant Program	84.002 84.002	12FAEABE-270556-02A 12FAEAEF-270556-03A	158,312 28,868 <u>187,180</u>
Vocational Education - Basic Grants to States (7/1-9/30/11) Vocational Education - Basic Grants to States (7/1/10-6/30/12)	84.048 84.048	10FCTDBG-070556-03A 11FCTDBG-170556-01A	145,333 29,593 <u>174,926</u>
Total Expenditures of Federal Awards			<u>\$ 23,727,894</u>

See accompanying notes to schedule

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mohave County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *Catalog of Federal Domestic Assistance*.

Note 3 - Loans Outstanding

The expenditures reported on the Schedule of Expenditures of Federal Awards for the Federal Direct Student Loans (CFDA number 84.268) consisted of \$11,144,455 in new loans processed by the College during the year ended June 30, 2012.

Note 4 - Subrecipients

The District did not provide federal awards to subrecipients during the year ended June 30, 2012.

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
June 30, 2012**

Finding 11-01 Not corrected

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section I. Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? X Yes _____ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes _____ No

Identification of Major Programs

Program	CFDA Number
Student Financial Assistance Cluster	Various

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

Section II. Financial Statement Findings

None reported

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

SECTION III. Federal Award Findings and Questioned Costs

11-01 Student Financial Assistance – Refunds to Title IV (Significant Deficiency and Non-Compliance)

Funding agency: U.S. Department of Education

Title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063, 84.268

CONDITION

During our test work of the Student Financial Assistance Cluster, we determined that the total semester days were not calculated correctly for Module 2 of the Fall 2011 Semester. An extra four days were included in the total number of days during each semester, resulting in an understatement of student refunds. A subsequent full file review by the College resulted in a total misstatement of \$859. It was also noted that 2 of the 25 students tested had late refunds and 1 of 25 students tested had their refund information submitted late.

CRITERIA

Per 34 CFR section 668.22(e)(2), the amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or (2) period of enrollment for a program measured in credit hours.

Additionally, per 34 CFR section 668.22(f), the percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in credit hours by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least 5 consecutive calendar days and days in which the student was on an approved leave of absence are excluded from the total

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

SECTION III. Federal Award Findings and Questioned Costs (Continued)

11-01 Student Financial Assistance – Refunds to Title IV (Continued)

number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

Also, per 34 CFR section 668.22(j), an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the: (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Lastly, per 34 CFR section 668.173(b), refunds of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

QUESTIONED COSTS

\$859

EFFECT

Improper calculation of semester days in a Module could result in incorrect refunding of federal funds. Also, failure to identify unofficial withdrawals could result in underpayment of required refunds to the Department of Education.

CAUSE

The semester days for Module 2 of the Fall Semester were originally calculated using the start date of September 15, 2011 as shown on the 2011-12 MCC Administrative Calendar. However, per review of the 2011-12 Academic Calendar, the first day of classes was actually September 19, 2011. The number of semester days used in the refund calculations for Module 2 of the Fall Semester was incorrect as four extra days were entered. Additionally, the two late payments and late refund calculation submission were caused by human error in the payment process.

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

SECTION III. Federal Award Findings and Questioned Costs (Continued)

11-01 Student Financial Assistance – Refunds to Title IV (Continued)

RECOMMENDATION

We recommend that the College finalize an Academic Calendar prior to the beginning of each academic year. Additionally, the College should ensure that the refund review process is designed to capture errors in the inclusion and/or exclusion of days.

MANAGEMENT RESPONSE

The College concurs that the number of days used to calculate the R2T4's for the semester was incorrect. This error was caused by confusion surrounding two different administrative calendars that were not in alignment. The financial aid department based the R2T4 calculation off of a calendar that was slightly different from the academic calendar.

All the R2T4's have been recalculated and the appropriate adjustments made. Students have been notified of the adjustments to their accounts. Additionally, this area will be internally audited periodically to ensure compliance.

This was an isolated incident caused by a clerical error. The department will ensure all calendars and information affecting R2T4 calculations are properly aligned to begin each year.

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

SECTION III. Federal Award Findings and Questioned Costs (Continued)

12-01 Student Financial Aid Programs – Borrower Data Transmission and Reconciliation (Significant Deficiency and Non-Compliance)

*Funding Agency: U.S. Department of Education
Title: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, 84.268*

CONDITION

During testing, it was noted that monthly reconciliations of the Direct Loan program payments had not been reconciled to the School Account Statement (SAS) data file provided by the Common Origination and Disbursement (COD).

CRITERIA

34 CFR sections 685.102(b), 685.301, and 303 states that each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

QUESTIONED COSTS

None

EFFECT

The College did not perform the required reconciliations for the year under audit. They were, therefore, not in compliance with program requirements.

CAUSE

The Student Financial Aid Director was not aware of the requirement to reconcile to the SAS report specifically.

**MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2012**

SECTION III. Federal Award Findings and Questioned Costs (Continued)

12-01 Student Financial Aid Programs – Borrower Data Transmission and Reconciliation (Non-Compliance)(Continued)

RECOMMENDATION

We recommend that the College personnel responsible for the financial aid program ensure they are current on program requirements so that the College stays in compliance.

MANAGEMENT RESPONSE

The College was aware of this requirement and consistently performed reconciliations for audit year-ends. Confusion existed over the exact screen required to ensure proper reconciliation. Additionally, the department did not retain all documentation showing when the reconciliation did occur. This slight change will be adopted going forward and will be internally audited periodically to ensure compliance.