



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

**Pinal County  
Community College  
District**

(Central Arizona College)  
Year Ended June 30, 2015

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**Debra K. Davenport**  
Auditor General

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Pinal County Community College District  
(Central Arizona College)  
Single Audit Reporting Package  
Year Ended June 30, 2015

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

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

**MELANIE M. CHESNEY**  
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  
Pinal County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Central Arizona College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. 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. However, the financial statements of the Central Arizona College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Central Arizona College Foundation.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jay Zsorey, CPA  
Financial Audit Director

December 15, 2015



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of  
Pinal County Community College District

**Report on Compliance for Each Major Federal Program**

We have audited Pinal County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Basis for Qualified Opinion on the Adult Education—Basic Grants to States Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding its Adult Education—Basic Grants to States (84.002) program's activities allowed or unallowed and allowable costs/cost principles compliance requirements as described in item 2015-101. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### ***Qualified Opinion on the Adult Education—Basic Grants to States Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pinal County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Adult Education—Basic Grants to States (84.002) program for the year ended June 30, 2015.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Pinal County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Pinal County Community College District's response to the noncompliance finding identified in our audit is presented on pages 13 through 14. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

### **Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-102 to be a significant deficiency.

Pinal County Community College District's responses to the internal control over compliance findings identified in our audit are presented on pages 13 through 14. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 15, 2015, that contained an unmodified opinion on those financial statements. Our report also included 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.

Jay Zsorey, CPA  
Financial Audit Director

December 15, 2015



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**Pinal County Community College District  
(Central Arizona College)  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
<b>Department of Labor</b>					
17 259	WIA Youth Activities	WIA Cluster	Gila County	Gila 10101	\$ 749,723
17 267	Incentive Grants—WIA Section 503		Arizona Department of Education	15FAECCR-512601-05A	39,806
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				<u>150,821</u>
	<b>Total Department of Labor</b>				<u>940,350</u>
<b>National Science Foundation</b>					
47 050	Geosciences		Arizona State University	1108044	6,933
47 076	Education and Human Resources		Arizona Science Foundation	DUE-0856855	18,322
47 076	Education and Human Resources		Arizona State University	DUE-1400687	<u>14,834</u>
	<i>Total 47.076</i>				<u>33,156</u>
	<b>Total National Science Foundation</b>				<u>40,089</u>
<b>Small Business Administration</b>					
59 037	Small Business Development Centers		Maricopa County Community College District	4-603001-EZ-0025, 5-603001-EZ-0004	<u>49,025</u>
<b>Department of Education</b>					
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	15FAEAEF-512601-16B, 15FAEABE-512601-16B	115,209
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			148,461
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			162,979
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			12,174,474
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			<u>5,321,903</u>
	<i>Total Student Financial Assistance Cluster</i>				<u>17,807,817</u>
84 031	Higher Education—Institutional Aid				1,324,684
84 042	TRIO—Student Support Services	TRIO Cluster			214,904
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	14FCTDBG-412601-08A, 15FCTDBG-570612-20A	<u>167,634</u>
	<b>Total Department of Education</b>				<u>19,630,248</u>
	<b>Total expenditures of federal awards</b>				<u>\$ 20,659,712</u>

See accompanying notes to schedule.

Pinal County Community College District  
(Central Arizona College)  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pinal 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 this 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 2015 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the District awarded the following to subrecipients:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount</b>
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	\$41,723

Pinal County Community College District  
 (Central Arizona College)  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:		Unmodified	
		<b>Yes</b>	<b>No</b>
Internal control over financial reporting:			
Material weaknesses identified?	___		<u>  X  </u>
Significant deficiencies identified?	___		<u>  X  </u> (None reported)
Noncompliance material to the financial statements noted?	___		<u>  X  </u>

**Federal Awards**

Internal control over major programs:			
Material weakness identified?		<u>  X  </u>	___
Significant deficiency identified?		<u>  X  </u>	___
Type of auditors' report issued on compliance for major programs: Unmodified for all major programs except for the Adult Education—Basic Grants to States (84.002) program, which was qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?			
		<u>  X  </u>	___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
84.002	Adult Education—Basic Grants to States Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

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

Pinal County Community College District  
(Central Arizona College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

	Yes	No
Auditee qualified as low-risk auditee?	___	<u>X</u>
<b>Other Matters</b>		
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>

Pinal County Community College District  
(Central Arizona College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Financial Statement Findings

None reported.

Federal Award Findings and Questioned Costs

**2015-101**

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<b>CFDA No. and Name:</b>	84.002 <b>Adult Education—Basic Grants to States</b>
<b>Award Numbers and Year:</b>	15FAEAEF-512601-16B, 2015 15FAEABE-512601-16B, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Education
<b>Compliance Requirements:</b>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<b>Questioned Costs:</b>	\$12,802

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Criteria: In accordance with 34 Code of Federal Regulations (CFR) §74.21(b)(3), effective controls and accountability must be maintained over federal awards to ensure monies are used solely for authorized purposes. Further, the Arizona Department of Education's grant agreement with Pinal County Community College District (District) defines allowable program costs.

Condition and context: The District did not always use program monies for allowable costs. Specifically, for two of three nonpayroll expenditures tested, auditors noted the expenditures were for student tuition, which is an unallowable cost for the program. Based on additional procedures performed, auditors determined a total of \$12,802 in student tuition costs were charged to the program, which represented 11 percent of the total program expenditures for the year.

Effect: The District charged the grant for unallowable costs.

Cause: District employees were not always aware of program requirements for allowable costs.

Recommendation: The District should ensure its employees are knowledgeable of the program's requirements to help ensure that only allowable program costs are charged to the program.

Pinal County Community College District  
(Central Arizona College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**2015-102**

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<b>CFDA No. and Name:</b>	84.002 <b>Adult Education—Basic Grants to States</b>
<b>Award Numbers and Year:</b>	15FAEAEF-512601-16B, 2015 15FAEABE-512601-16B, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Education
<b>Compliance Requirement:</b>	Reporting
<b>Questioned Costs:</b>	None

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Criteria: In accordance with the grant agreement, the District is required to submit quarterly Supplemental Fee Reports to the Arizona Department of Education (ADE), which report program income collected and used during the period. Further, based on 34 CFR §74.21(b)(3) & (7), effective controls and accountability must be maintained over federal awards, and the report should contain accurate data that is supported by the District's accounting records.

Condition and context: The District did not review and approve any of the Supplemental Fee Reports submitted to ADE during fiscal year 2015. As a result, for one of three reports tested, auditors noted program income collected for the current period was overstated by \$669.

Effect: Program income collected and used reported on the Supplemental Fee Reports submitted to ADE could be inaccurate.

Cause: The District did not have policies and procedures in place to ensure the information in the reports was reviewed prior to submitting them to the ADE.

Recommendation: The District should develop and implement policies and procedures for the review of the Supplemental Fee Reports to ensure that the information reported is accurate, complete, and supported by the District's accounting records.



December 15, 2015

Ms. Debra K. Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the corrective action planned for the federal award findings and the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Chris Wodka,  
Vice President Business Affairs

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**Superstition Mountain Campus**  
805 S. Idaho Road  
Apache Junction, AZ 85119

**Aravaipa Campus**  
80440 E. Aravaipa Road  
Winkelman, AZ 85192

**Central Arizona College**  
District Offices  
**Signal Peak Campus**  
8470 North Overfield Road  
Coolidge, AZ 85128-9030

**Maricopa Campus**  
17945 North Regent Drive  
Maricopa, AZ 85138-7808

**San Tan Campus**  
3736 E. Bella Vista Rd  
San Tan Valley, AZ 85143

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Pinal County Community College District  
(Central Arizona College)  
Corrective Action Plan  
Year Ended June 30, 2015

Federal Award Findings and Questioned Costs

2015-101

CFDA No. and Name: 84.002 Adult Education — Basic Grants to State

Chris Wodka, Vice President Business Affairs

Anticipated Completion Date: December, 2015

Corrective Action Undertaken: In December of 2015 the District strengthened some of its procedures pertaining to grants to ensure that District employees are knowledgeable of the program's requirements to help ensure that only allowable costs are charged to the programs.

2015-102

CFDA No. and Name: 84.002 Adult Education — Basic Grants to State

Chris Wodka, Vice President Business Affairs

Anticipated Completion Date: December, 2015

Corrective Action Undertaken: In December of 2015 the District strengthened some of its procedures pertaining to grant reporting to ensure that reports are complete and accurate prior to submission. The District also strengthened some of its procedures to ensure adequate documentation is maintained to support data being submitted on reports.