

**Yavapai County Community College District
(Yavapai College)**

Single Audit Reporting Package

Year Ended June 30, 2007

**Yavapai County Community College District
(Yavapai College)
Single Audit Reporting Package
Year Ended June 30, 2007**

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Comprehensive Annual Financial Report

Issued separately

Single Audit Section

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Independent Auditor's 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*

The Auditor General of the State of Arizona

The Governing Board of
Yavapai County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Yavapai County Community College District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2007. Our report was modified to include a reference to our reliance on other auditors. 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. Other auditors audited the financial statements of the Yavapai College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Yavapai College Foundation did not provide the reported results of the other auditors' testing of internal control over its financial reporting. Consequently, this report does not include our consideration of the other auditors' testing of internal control over financial reporting that is reported on separately by those other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's

basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider item **07-1** described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, item **07-1**, to be a material weakness.

Compliance and Other Matters

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

Yavapai County Community College District's response to the finding identified in our audit is presented on page 12. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Miller, Allen & Co., P.C.

December 13, 2007

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Governing Board of
Yavapai County Community College District

Compliance

We have audited the compliance of Yavapai County Community College District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the Summary of Auditor's 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 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in item **07-2** in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding procurement that are applicable to its Community Based Jobs Training Grants program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Yavapai County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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, 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 would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider item **07-2** described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, item **07-2**, to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and discretely presented component unit of Yavapai County Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 13, 2007. Our report was modified to include a reference to our reliance on other auditors. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yavapai County Community College District's response to the finding identified in our audit is presented on page 13. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Miller, Allen & Co., P.C.

December 13, 2007

**Yavapai County Community College District
(Yavapai College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor			
Community Based Job Training Grants	17.269		\$ 114,878
U.S. Small Business Administration			
Passed through the Maricopa County Community College District Small Business Development Center	59.037	0-7620-0003-08	104,560
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		83,064
Federal Family Education Loans	84.032		1,573,738
Federal Work-Study Program	84.033		85,161
Federal Perkins Loan Program - Federal Capital Contributions	84.038		408,739
Federal Pell Grant Program	84.063		2,640,810
Academic Competitiveness Grant	84.375		24,500
Total Student Financial Assistance Cluster			<u>4,816,012</u>
TRIO Cluster			
TRIO - Student Support Services	84.042		381,610
TRIO - Talent Search	84.044		259,439
TRIO - Upward Bound	84.047		215,331
Total TRIO Cluster			<u>856,380</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	33,953
Passed through the Arizona Department of Education			
Adult Education – State Grant Program	84.002	07FAEABE-670620-01A	194,798
Vocational Education – Basic Grants to States	84.048	None	188,447
Child Care Access Means Parents in School	84.335		2,911
Total U.S. Department of Education			<u>6,092,501</u>
U.S. Department of Health and Human Services			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283		47,179
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5402501	88,865
Total U.S. Department of Health and Human Services			<u>136,044</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,447,983</u></u>

See accompanying notes to schedule.

**Yavapai County Community College District
(Yavapai College)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Yavapai 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 2007 *Catalog of Federal Domestic Assistance*.

Note 3 - Loans Outstanding

The expenditures reported on the Schedule of Expenditures of Federal Awards for certain programs include loan balances outstanding at June 30, 2007 as follows:

Program Title	CFDA Number	Amount
Federal Perkins Loan Program- Federal Capital Contributions	84.038	\$395,288

**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
	<u>YES</u>	<u>NO</u>
Material weakness identified in internal control over financial reporting?	<u>X</u>	___
Significant deficiency identified not considered to be a material weakness?	___	<u>X</u>
Noncompliance material to the financial statements noted?	___	<u>X</u>

Federal Awards

Material weakness identified in internal control over major programs?	<u>X</u>	___
Significant deficiency identified not considered to be a material weakness?	___	<u>X</u>

Type of auditor's report issued on compliance for major programs:
 Unqualified for programs under the Student Financial Assistance
 Cluster and qualified for Community Based Job Training Grants Program

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___
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Identification of major programs:

CFDA	
<u>Number</u>	<u>Name of Federal Program or Cluster</u>
17.269	Community Based Job Training Grants
Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program – Federal Capital Contributions
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u>X</u> ___

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u> ___
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**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Financial Statement Findings

Item: 07-1

District policy and state and federal guidelines require procurement procedures that help ensure full and open competition. During fiscal year 2007, the District entered into a consulting services contract for its federally funded Community Based Job Training Grants program totaling \$100,000 over a three year period without obtaining competitive bids. This purchase was one of seven selected for testing of District bidding procedures. A total of \$16,667 was paid to this vendor during fiscal year 2007.

The District's procurement policies should be followed and compliance with these requirements should be monitored by designated management level employees.

**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Federal Award Findings and Questioned Costs

Item: 07-2

CFDA Number: 17.269, Community Based Job Training Grants

Grantor: U.S. Department of Labor

Award Period: 7/1/06 through 6/30/07

Award Number: DFA PY 05-11

Questioned Costs: Unknown

District policy and state and federal guidelines require procurement procedures that help ensure full and open competition. During fiscal year 2007, the District entered into a consulting services contract for its federally funded Community Based Job Training Grants program totaling \$100,000 over a three year period without obtaining competitive bids. This purchase was one of seven selected for testing of District bidding procedures. A total of \$16,667 was paid to this vendor during fiscal year 2007. This finding is a material weakness in internal controls and a material noncompliance with the program's procurement requirements.

The District's procurement policies should be followed and compliance with these requirements should be monitored by designated management level employees.

District Responses

**Yavapai County Community College District
(Yavapai College)
Corrective Action Plan
Year Ended June 30, 2007**

Financial Statement Findings

Item: 07-1

Contact Person: Frank D'Angelo

Anticipated Completed Date: February 29, 2008

Corrective Action: Yavapai College's purchasing policy requires a formal bidding process when a contract is anticipated to exceed \$25,000. Notification is made to all prospective registered vendors and the request for proposal is publicly advertised. Proposals are opened in public at the time and place designated in the request for proposal.

The College agrees that this particular contract should have gone through the bidding process. The College is currently in the process of canceling the contract and will solicit bids for the required services (Request for Proposal # 243).

Several steps are being taken to strengthen the internal controls related to the bidding requirements outlined in the College's purchasing policy. Additional training in the area of bidding requirements and sole source situations will be given to department purchasing liaisons. Purchasing will begin tracking additional information on the contract log that they currently maintain; this includes the contract amount and bid requirements. This log will be maintained by a Purchasing department employee who does not have the responsibility of reviewing contracts. Lastly, all sole source procurements will be approved by the Controller in addition to the Director of Purchasing.

**Yavapai County Community College District
(Yavapai College)
Corrective Action Plan
Year Ended June 30, 2007**

Federal Award Findings and Questioned Costs

Item: 07-2

CFDA Number: 17.269, Community Based Job Training Grants

Contact Person: Frank D'Angelo

Anticipated Completed Date: February 29, 2008

Corrective Action: Yavapai College's purchasing policy requires a formal bidding process when a contract is anticipated to exceed \$25,000. Notification is made to all prospective registered vendors and the request for proposal is publicly advertised. Proposals are opened in public at the time and place designated in the request for proposal.

The College agrees that this particular contract should have gone through the bidding process. The College is currently in the process of canceling the contract and will solicit bids for the required services (Request for Proposal # 243).

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**Yavapai County Community College District
(Yavapai College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007**

Status of Prior Year Federal Award Findings and Questioned Costs

CFDA Number. 84.032, Federal Family Education Loans

Finding Number. **06-1**

Status: Corrected