

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT**  
**SINGLE AUDIT COMPLIANCE REPORTS**  
**YEAR ENDED JUNE 30, 2011**

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**ISSUED SEPARATELY**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Auditor General of the State of Arizona

Governing Board of Yavapai County Community College District  
Prescott, Arizona

We have audited the financial statements of the business-type activities and discretely presented component unit of Yavapai County Community College District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, Inc. (the Foundation), the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Foundation were not audited by other auditors in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

The District's management is responsible for establishing and maintaining effective 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 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 entity's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Auditor General of the State of Arizona

Governing Board of Yavapai County Community College District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Yavapai County Community College District's 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*.

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, management, others within the District, and 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.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
December 2, 2011

**INDEPENDENT AUDITORS' REPORT 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**

Auditor General of the State of Arizona

Governing Board of Yavapai County Community College District  
Prescott, Arizona

**COMPLIANCE**

We have audited the compliance of Yavapai County Community College District (the District) 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, 2011. 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.

In our opinion, Yavapai County Community College District complied, in all material respects, with the compliance 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, 2011. 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 11-1 through 11-3.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of the District 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 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 11-1 through 11-3. 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 the discretely presented component unit of Yavapai County Community College District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. Our report was modified to include a reference to 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.

Auditor General of the State of Arizona

Governing Board of Yavapai County Community College District

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

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, management, others within the District, and 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.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
December 2, 2011

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Child and Adult Care Food Program	10.558		\$29,703
Total Department of Agriculture			<u>29,703</u>
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership	16.607		2,630
Total Department of Justice			<u>2,630</u>
<b>U.S. Small Business Administration</b>			
Passed through the Maricopa County Community College District			
Small Business Development Center	59.037	0-7620-0003-08	<u>124,715</u>
<b>U.S. Department of Education</b>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		66,597
Federal Family Education Loans	84.032		4,418,336
Federal Work-Study Program	84.033		97,906
Federal Perkins Loan Program-Federal Capital Contributions	84.038		369,973
Federal Pell Grant Program	84.063		9,600,742
Academic Competitiveness Grant	84.375		104,619
Total Student Financial Assistance Cluster			<u>14,658,173</u>
TRIO Cluster			
TRIO-Student Support Services	84.042		416,340
TRIO-Talent Search	84.044		280,389
TRIO-Upward Bound	84.047		314,248
TRIO-YC CCAMPIS Project	84.335A		32,580
Total TRIO Cluster			<u>1,043,557</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	46,630
Passed through the Arizona Department of Education			
Adult Education-State Grant Program	84.002	11FAEAABE-670620-01A	247,427
Vocational Education-Basic Grants to States	84.048	None	155,308
Passed through the Arizona Governor's Office of Economic Recovery			
State Fiscal Stabilization Fund Cluster			
ARRA State Fiscal Stabilization Fund (SFSF) - Education			
State Grants	84.394	GOER-FY2011-1010	12,602
STEM Education Engineering Pathways Program	84.397	OER-11-CON-GS-42	342,386
Total State Fiscal Stabilization Fund Cluster			<u>354,988</u>
Total U.S. Department of Education			<u>16,506,083</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5402501	49,103
<b>Total Expenditures of Federal Awards</b>			<u><u>\$16,712,234</u></u>

See accompanying Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards



**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

**NOTE 1 BASIS OF PRESENTATION**

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Yavapai County Community College District that have been financed by the United States Government.

The Schedule 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*.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Yavapai County Community College District.
2. No significant deficiencies or material weaknesses were identified during the audit of the financial statements of Yavapai County Community College District.
3. No instances of material noncompliance were identified during the audit of the financial statements of Yavapai County Community College District.
4. Three significant deficiencies were identified during the audit of the major federal award programs of Yavapai County Community College District.
5. The auditors' report on compliance for the major federal award programs for Yavapai County Community College District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Yavapai County Community College District are reported in Part C of this schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA No.</u>
Student Financial Assistance Cluster	Various
ARRA - State Fiscal Stabilization Fund Cluster	84.394, 84.397

8. The threshold for distinguishing type A and B programs was \$300,000.
9. Yavapai County Community College District was not determined to be a low-risk auditee.

**B. FINANCIAL STATEMENT FINDINGS**

**Current Year:**

None reported

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Current Year Findings:**

**11-1:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2010 to June 30, 2011

**Condition:**

Two of 19 students tested did not have verification procedures performed correctly. One student's verification procedures were not performed and one student's verification procedures were performed incorrectly.

**Criteria:**

The College is responsible for performing verification procedures correctly.

**Questioned Costs:**

\$32

**Possible Asserted Effect:**

The College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College evaluate its procedures and policies around verification to ensure that students are being properly verified.

**Management Response:**

When this finding was brought to our attention by LarsonAllen in October 2010, Financial Aid immediately resolved this issue by ensuring that future subsequent ISIR transactions were appropriately selected for verification. This was done prospectively which is the reason it is a repeat finding.

With respect to verifications not being conducted correctly, extensive verification training has been conducted and the Financial Aid Advising staff is re-verifying all 2011-12 files to ensure accuracy and appropriate awarding of Title IV aid.

Terri Eckel, Director of Financial Aid will oversee the verification process. Estimated completion date is January 6, 2012.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**11-2:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2010 to June 30, 2011

**Condition:**

Four of 40 students tested had R2T4 calculations incorrectly performed due to not properly calculating the number of calendar days in each semester.

**Criteria:**

Based on Department of Education guidelines, R2T4 calculations must be performed in accordance with the *Student Financial Aid Handbook*.

**Questioned Costs:**

\$5.64

**Possible Asserted Effect:**

Incorrect refunds of Federal aid and noncompliance with the Department of Education requirements.

**Recommendation:**

We recommend the College carefully perform the R2T4 calculations in accordance with the Student Financial Aid Handbook and verify the number of calendar days in each semester.

**Management Response:**

This finding is due to Registration updating calendar days in the Banner system without consulting Financial Aid. The change in the number of days was not noticed by Financial Aid because the R2T4 process is automated within Banner. It has since been arranged to give Financial Aid access to the appropriate form in Banner to update the semester breaks and Registration is now aware that changes to break days can impact financial aid return calculations.

Terry Eckel, Director of Financial Aid will review the calendar days used for financial aid calculations. This procedure was already implemented.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**11-3:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2010 to June 30, 2011

**Condition:**

Four of 40 students' changes in status were not accurately and timely reported to NSLDS.

**Criteria:**

Based on Department of Education guidelines, students' enrollment status must be updated on the NSLDS website within sixty days of the change.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Student Financial Aid Cluster compliance requirements are not being met.

**Recommendation:**

We recommend the College evaluate its procedures around updating the NSLDS with enrollment changes to ensure that updates are performed accurately and timely.

**Management Response:**

The students who were identified in this finding unofficially withdrew. A last date of attendance is determined for all students who have been identified as unofficial withdrawals. However, the last date of attendance that Financial Aid uses for R2T4 purposes does not always coincide with what Registration has recorded in the Banner system for enrollment reporting purposes. Registration and Financial Aid staff will collaborate on this and determine how to best report this accurately.

Terry Eckel, Director of Financial Aid will oversee the implementation of these procedures. Estimated completion date is January 6, 2012.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Prior Year Findings:**

**10-1:**

**CFDA Number, Title and Award Number:**

84.063 – Federal Pell Grant Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2009 to June 30, 2010

**Condition:**

Three of 39 students tested were eligible for additional Pell grants during the summer term but were not awarded the grant. Five of the 39 students tested had incorrect Pell awards due to either the incorrect cost of attendance or incorrect status being used in the calculation.

**Criteria:**

Based on Department of Education guidelines, students with low Expected Family Contributions (EFCs) are automatically eligible to receive a Pell grant based on their cost of attendance, status and EFC. The College is responsible for awarding and uploading the student's information onto the Common Origination Disbursement website for approval.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Students are not receiving the proper Pell awards for which they are eligible.

**Recommendation:**

We recommend the College upload the students' information onto the Common Origination Disbursement website for approval and disburse the funds to the student. The College should also re-evaluate its procedures for identifying students who are eligible for Pell grants.

**Status:**

The issue was corrected.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

**Prior Year Findings (Continued):**

**10-2:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2009 to June 30, 2010

**Condition:**

Three of 40 students tested were not sent an award letter. Also, the College does not send notifications to students when Title IV loans are disbursed to the student.

**Criteria:**

Before making a Title IV loan disbursement, the College is required to notify the student of eligible funds, how and when the funds will be disbursed, and the student's right to cancel the funds.

**Questioned Costs:**

None

**Possible Asserted Effect:**

The College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College implement procedures to ensure award letters are sent to all students and procedures to notify students eligible for Title IV loan funds before making a Title IV loan disbursement.

**Status:**

The issue was corrected.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

**Prior Year Findings (Continued):**

**10-3:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2009 to June 30, 2010

**Condition:**

Two of 40 students tested did not have verification procedures performed correctly. One student's verification procedures were not performed and one student's verification procedures were performed incorrectly.

**Criteria:**

The College is responsible for performing verification procedures correctly.

**Questioned Costs:**

None

**Possible Asserted Effect:**

The College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College evaluate its procedures and policies around verification to ensure that students are being properly verified.

**Status:**

The issue was not corrected. See current year finding 11-1.



YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

**Prior Year Findings (Continued):**

**10-4:**

**CFDA Number, Title and Award Number:**

SFA Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2009 to June 30, 2010

**Condition:**

The College did not submit federal grant disbursement and adjustment records within required timeframes.

**Criteria:**

The College must submit federal grant records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement.

**Questioned Costs:**

None

**Possible Asserted Effect:**

The late reporting on disbursements occurred because the College failed to follow Department of Education regulations on timely reporting.

**Recommendation:**

We recommend the College implement procedures to ensure timely reporting requirements are met for future disbursements.

**Status:**

The issue was corrected.