

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT

SINGLE AUDIT COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2009

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2009**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ISSUED SEPARATELY

OMB REPORTING PACKAGE

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	1
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8

**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
and 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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2009. 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

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 District's internal control over financial reporting.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's 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 financial statements will not be prevented or detected by the entity's internal control.

INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Our consideration of the 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 the internal control that might be 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*.

We noted certain other matters that we reported to management of Yavapai County Community College District in a separate letter dated December 15, 2009.

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 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 15, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Auditor General of the State of Arizona
and 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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 09-1 through 09-4.

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, 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity'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 entity'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 entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-1 through 09-4 to be significant deficiencies.

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 entity's internal control. We do not consider the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. 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.

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.

Auditor General of the State of Arizona
and Governing Board of
Yavapai County Community College District

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 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 15, 2009

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Department of Agriculture			
Education Challenge Grant	10.226		\$ 10,938
Child and Adult Care Food Program	10.558		26,129
Total Department of Agriculture			<u>37,067</u>
U.S. Department of Labor			
Community Based Job Training Grants	17.269		<u>563,026</u>
U.S. Small Business Administration			
Passed through the Maricopa County Community College District			
Small Business Development Center	59.037	0-7620-0003-08	<u>117,789</u>
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		69,949
Federal Family Education Loans	84.032		2,645,736
Federal Work-Study Program	84.033		88,786
Federal Perkins Loan Program	84.038		-
Federal Pell Grant Program	84.063		4,044,579
Academic Competitiveness Grant	84.375		50,925
Total Student Financial Assistance Cluster			<u>6,899,975</u>
TRIO Cluster			
TRIO-Student Support Services	84.042		415,667
TRIO-Talent Search	84.044		279,467
TRIO-Upward Bound	84.047		52,111
Total TRIO Cluster			<u>747,245</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	37,540
Passed through the Arizona Department of Education			
Adult Education-State Grant Program	84.002	09FAEAABE-670620-01A	235,041
Vocational Education-Basic Grants to States	84.048	None	137,624
Passed through the Arizona Governor's Office of Economic Recovery			
State Fiscal Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	GOER-FY2010-1010	1,029,816
Total U.S. Department of Education			<u>9,087,241</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5402501	<u>112,519</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,917,642</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, 2009**

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*.

NOTE 2 LOANS OUTSTANDING

The expenditures reported on the Schedule of Expenditures of Federal Awards for certain programs exclude loan balances outstanding at June 30, 2009 for the Federal Perkins Loan Program CFDA 84.038 of \$387,461. New loans of \$41,861 were awarded to students during the year ended June 30, 2009.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDIT 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 disclosed 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. Four significant deficiencies were identified during the audit of the major federal award programs of Yavapai County Community College District which were not determined to be material weaknesses.
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:

	Program	CFDA	No.
	Student Financial Assistance Program cluster		Various
	State Fiscal Stabilization Grant Program		84.394
Trio	Cluster		Various

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, 2009**

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

Current Year Findings:

09-1:

CFDA Number, Title and Award Number:

84.047 – TRIO - Upward Bound

Grantor:

U.S. Department of Education

Award Period:

September 1, 2007 to August 31, 2008

Condition:

The final annual performance report was not filed.

Criteria:

Annual performance reports must be filed in accordance with the grant agreement.

Questioned Costs:

None

Possible Asserted Effect:

Performance reports are not filed with the Department of Education.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure all reporting requirements are met.

Management Response:

Yavapai County Community College District missed filing the annual performance report due to miscommunication between Yavapai County Community College District and the Department of Education. Instructions were vague and omitted regarding how to close down the program due to nonrenewal. In addition, Yavapai County Community College District staff who worked on this program separated service which contributed to this omission. Yavapai County Community College District will calendar annual performance plan filing to assure all future reporting requirements are met and will be overseen by the Director of Business Services/Controller with an anticipated completion date of December 2009.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Current Year Findings (Continued):

09-2:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

A new location was added in 2007-08 but was not reported to the Department of Education.

Criteria:

New locations must be reported and approved by the Department of Education.

Questioned Costs:

None

Possible Asserted Effect:

Financial aid may possibly be awarded to students at locations that are not approved. In addition, the campus security reports did not include the required information for this location.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure that all reporting requirements are met.

Management Response:

Failing to add this location to our program participation agreement was an oversight. It has since been added and approved and is listed on our current Eligibility and Certification Approval Report from the Department of Education. Procedures will be reviewed to assure all reporting requirements are met in the future and will be overseen by the Director of Business Services/Controller with an anticipated completion date of November 2009.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Current Year Findings (Continued):

09-3:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

One student out of forty tested was over-awarded unsubsidized Stafford loans.

Criteria:

When awarding aid, the school must take into consideration all other sources, including VA benefits, prior to awarding federal aid.

Questioned Costs:

\$5,517

Possible Asserted Effect:

Federal student aid may be over-awarded if other sources of aid and benefits are not taken into consideration before aid is awarded.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure that all other benefits received are taken into consideration prior to federal student aid being awarded.

Management Response:

Not all veterans know the amount of their benefits at the time that the FAFSA is completed. The Veterans Coordinator updates the veteran benefit amounts on the FAFSA as she receives confirmation. It is possible that this particular student's benefits were added after the loans had already been disbursed. Due to a change in the regulations, veteran benefits are no longer considered a resource in the eligibility calculation, therefore no further action is deemed necessary.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Current Year Findings (Continued):

09-4:

CFDA Number, Title and Award Number:

84.038 – Federal Perkins Loan Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

Yavapai County Community College District changed Perkins Loan administrators during the year; however, there was some confusion in what specific compliance requirements were being completed by the administrator and which were to be completed by Yavapai County Community College District. As a result, we noted not all the due diligence and deferment requirements were completed.

Criteria:

Yavapai County Community College District is responsible for compliance requirements surrounding the Perkins Loan program.

Questioned Costs:

None

Possible Asserted Effect:

The Perkins Loan program compliance requirements may not be met.

Recommendation:

We recommend Yavapai County Community College District understands the contract with the administrator to ensure all compliance requirements surrounding the Perkins Loan program are completed.

Management Response:

There was a misunderstanding as to what duties the new third-party servicer was performing. Yavapai County Community College District has reviewed the contract with the third-party servicer to determine what compliance requirements were not being completed. Yavapai County Community College District has made the necessary service adjustments/additions with the third-party servicer in order to ensure compliance, effective November 2009 and was overseen by the Director of Business Services/Controller.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings:

08-1:

CFDA Number, Title and Award Number:

84.032 – Federal Family Education Loans

84.063 – Federal Pell Grant Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2007 to June 30, 2008

Condition:

During our testing, we noted that refund calculations tested did not exclude scheduled breaks of five or more consecutive days. In our sample of ten students, this caused Yavapai County Community College District to return an excess of \$5 of Stafford Unsubsidized Loans and an additional \$7 of Pell funds needs to be returned by Yavapai County Community College District.

Criteria:

Refund calculations should exclude scheduled breaks of five or more consecutive days.

Questioned Costs:

\$7

Possible Asserted Effect:

Refund calculations are not being done properly, and Yavapai County Community College District is not in compliance with the Department of Education requirements.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure all refunds are calculated in the proper amounts.

Status:

The issue was corrected.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

08-2:

CFDA Number, Title and Award Number:

84.032 – Federal Family Education Loans

Grantor:

U.S. Department of Education

Award Period:

July 1, 2007 to June 30, 2008

Condition:

During student file testing, we noted one student's PLUS funds were not disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

Criteria:

If there is only one term in the loan period, the loan must be disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

Questioned Costs:

None

Possible Asserted Effect:

Student did not receive funds in equal amounts at the beginning of the term and at the term's calendar midpoint.

Auditors' Recommendation:

We recommend monitoring this closely so these funds are distributed evenly throughout the loan period.

Status:

The issue was corrected.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

08-3:

CFDA Number, Title and Award Number:

84.038 – Federal Perkins Loan Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2007 to June 30, 2008

Condition:

During our testing, we noted that Affiliated Computer Services Inc. (ACS) who provides various services to Yavapai County Community College District related to Perkins loans, including due diligence requirements, did not maintain the 15 and 45 day past due letters documentation for the ten students tested.

Criteria:

The Department of Education requires this documentation to be maintained.

Questioned Costs:

None

Possible Asserted Effect:

Yavapai County Community College District is not in compliance with the Department of Education requirements.

Recommendation:

We recommend Yavapai County Community College District review its procedures in submittal of accounts to ACS and monitor the due diligence being performed by ACS to ensure due diligence requirements are being met.

Status:

Partially corrected. The District contracted with a new third-party servicer effective July 1, 2008, however, there was a misunderstanding as to what duties the servicer was performing. As of November 2009, the District has made the necessary service adjustments/additions with the third-party servicer in order to ensure compliance. See current year finding 09-4.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

08-4:

CFDA Number, Title and Award Number:

84.038 – Federal Perkins Loan Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2007 to June 30, 2008

Condition:

The school terminated its contract with its third-party servicer and entered into a new contract with a new third-party servicer and failed to notify the Department of Education within ten days of the change.

Criteria:

Under Federal regulations, schools are required to notify the Department of Education if the school enters into a new contract with a third-party servicer; the school significantly modifies a contract with an existing third-party servicer; the school or one of its third-party servicers terminates a contract, or a third-party ceases to provide contracted services, goes out of business, or files bankruptcy. Notification must be made within ten days of the date of the change or action.

Questioned Costs:

None

Possible Asserted Effect:

Schools can be prevented from offering new types of Federal aid or disbursing Federal funds from a new location if all relevant information, including third-party servicer information, is not kept current with the Department of Education.

Recommendation:

We recommend Yavapai County Community College District establish procedures to ensure all future changes with third-party servicers are communicated with the Department of Education within ten days of the change.

Status:

The issue was corrected.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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

Prior Year Findings (Continued):

08-5:

CFDA Number, Title and Award Number:

84.038 – Federal Perkins Loan Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2007 to June 30, 2008

Condition:

Yavapai County Community College District utilizes Affiliated Computer Services, Inc. Education Services (“ACS”) as its institutional servicer to perform billing, collection and due diligence compliance requirements related to the Perkins loan program. The ACS Audits of Federal Student Financial Assistance Programs Report for the year ended June 30, 2008, included two findings together with ACS management’s responses related to post deferment grace period processing and proper application of loan payments. The errors were caused by manual processing errors made by ACS staff.

Criteria:

Under Federal regulations, schools are permitted to contract with consultants for assistance in administering the FSA programs. However, the school ultimately is responsible for the use of FSA funds and will be held accountable if the consultant mismanages the programs for program funds.

Questioned Costs:

None

Possible Asserted Effect:

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

Recommendation:

We recommend the College establish procedures to ensure all transactions completed by third-party servicers are within the Department of Education requirements.

Status:

The issue was corrected.