

# Maricopa County Community College District

Report on Internal Control  
and on Compliance

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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  
Maricopa County Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2023, 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 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Maricopa County Community College Foundation, the discretely presented component unit, as described in our report on the District's financial statements.

### **Report on 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) as a basis for designing 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2023-01 and 2023-02, that we consider to be significant deficiencies.

### **Report on 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 financial statements. 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*.

### **District response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The District is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

### **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.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

December 22, 2023



# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

## Financial statement findings

### 2023-01

District deficiencies related to supervisors not reviewing and approving 8,412 employee time sheets representing \$5.37 million in total wages increased the risk of fraud and potential misuse of public monies

**Condition**—The District reported to us that during fiscal year 2023 and contrary to its written procedures, supervisors had not reviewed or approved—either before processing payroll or within a reasonable amount of time thereafter—8,412 employee time sheets totaling approximately \$5.37 million in total wages.

**Effect**—As a result of employees' supervisors not reviewing and approving time sheets, the District was exposed to an increased risk of fraud and misuse of public monies because it could not prevent, or detect and correct, employees intentionally or unintentionally misreporting their time worked or leave taken.

**Cause**—Some supervisors did not follow District policies and procedures requiring employees' time sheets to be reviewed and approved either before processing payroll or within 3 business days from receiving a payroll email notification that the employee's time sheet needs approval. Additionally, District management did not sufficiently monitor whether each college's Human Resources Department was enforcing these policies and procedures, or verifying that supervisors reviewed and approved employees' time sheets as required.

**Criteria**—The District's written procedures require each employee's time sheet to be reviewed and approved by the employee's supervisor either before processing payroll or within 3 business days from receiving a payroll email notification that the employee's time sheet needs approval. Additionally, each college's Human Resources Department is responsible for verifying that supervisors timely reviewed and approved time sheets (Maricopa County Community College District—Monitoring Time Approvals). Finally, designing, implementing, and maintaining effective policies and procedures over approving payroll time sheets is necessary to achieve the District's objectives that include safeguarding public monies and other assets, and responding to risks of fraud is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.<sup>1</sup>

**Recommendations**—The District's management should:

1. Enforce District written procedures requiring supervisors to review and approve employees' time sheets, either before payroll is processed or within 3 business days from receiving the payroll email notification that a time sheet needs approval, to verify employees accurately reported their time worked and leave taken.

2. Monitor and ensure each college's Human Resources Department:
  - a. Verifies that supervisors perform the required post-payroll reviews and approvals within 3 business days if situations occur that result in supervisors being unable to conduct time sheet approvals prior to payroll-processing deadlines.
  - b. Corrects any errors noted during the post-payroll reviews.
3. Develop procedures to periodically compile and submit a listing of remaining unapproved time sheets to each college's Human Resources Department to follow up with the employee's supervisor to complete outstanding time sheet review and approvals.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-01 and was initially reported in fiscal year 2014.

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<sup>1</sup> U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Washington, DC. Retrieved 11/2/2023 from <https://www.gao.gov/assets/670/665712.pdf>.

## 2023-02

### The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

**Condition**—The District's control procedures for assigning and restricting access were not sufficiently developed, documented, and implemented to consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

**Effect**—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

**Cause**—Although the District's IT management prioritized developing, documenting, and implementing its IT policies and procedures, it failed to complete all planned tasks due to staffing limitations.

**Criteria**—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, helps the District to protect its IT systems and ensures the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives.<sup>1</sup> Effective internal controls include restricting access through logical controls, which help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

**Recommendations**—The District should:

1. Make it a priority to develop and document comprehensive IT policies and procedures.
2. Monitor District employees' adherence to the IT policies and procedures on a periodic basis to ensure they are consistently followed, and inform employees of updates to the policies and procedures throughout the year.

3. Develop, document, and implement processes to restrict access and enhance authentication requirements for IT systems.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act's "Safeguards Rule" requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.



# DISTRICT RESPONSE



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January 19, 2024

Lindsey A. Perry  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Dawn D. Rector, CPA, MBA  
Interim Associate Vice Chancellor & Controller, Business Services

**Maricopa County Community College District**  
**Corrective Action Plan**  
**Year ended June 30, 2023**

## Financial statement findings

### 2023-01

**District deficiencies related to supervisors not reviewing and approving 8,412 employee time sheets representing \$5.37 million in total wages increased the risk of fraud and potential misuse of public monies.**

*Names of contact person: Dawn Rector and Frank Wilson*

Anticipated completion date: June 2024

The District agrees with the finding. The District's Human Capital Management System (HCM) is configured to require supervisory approval of time sheets prior to paying employees for hours recorded. However, because Department of Labor regulations require that employees be paid for time worked regardless of approval status, a system-generated approval process triggers an automated email to supervisors, which provides an opportunity to ensure supervisors manually approve employee time worked and paid following each bi-weekly payroll run. All expenses, including wages, are monitored monthly by all business units within the District and any deviations from expectations are investigated, which may result in requiring employees to pay the District back for fraudulent time reported and possible termination. Monitoring, exception reporting, and additional efforts to increase compliance are underway.

### 2023-02

**District control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data.**

*Name of contact person: Joshua Bastian*

Anticipated completion date: June 2024

The District agrees with the finding. Though some measures to address this concern are already in place, the District is implementing additional protocols to further strengthen the protection of the District's IT systems and sensitive data.

