

Cochise County Community College District

Single Audit Report

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Comprehensive Annual Financial Report

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*



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;
report on internal control over compliance; and report on schedule of
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Governing Board of
Cochise County Community College District

Report on compliance for each major federal program

We have audited Cochise County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each major federal program

In our opinion, Cochise County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2018-102. Our opinion on each major federal program is not modified with respect to this matter.

Report on internal control over compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-101 and 2018-102, that we consider to be significant deficiencies.

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

Cochise County Community College District's response to findings

Cochise County Community College District's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the business-type activities and discretely presented component unit of Cochise County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 27, 2018, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey Perry, CPA, CFE
Auditor General

March 13, 2019





SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles Unmodified

Internal control over financial reporting

Material weakness identified? Yes

Significant deficiency identified? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified? Yes

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major programs

CFDA number	Name of federal program or cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.042	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 §CFR 200.511 (b)? Yes

Financial statement findings

Financial statement findings were reported in the separately issued 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*.

Federal award findings and questioned costs

2018-101

Cluster name:	Student Financial Assistance Cluster
CFDA number and name:	84.007 Federal Supplemental Educational Opportunity Grants 84.033 Federal Work-Study Program 84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award numbers and years:	P007A170107, July 1, 2017 through August 31, 2023; P033A170107, July 1, 2017 through August 31, 2023; P063P171063, May 1, 2017 through October 2, 2023; P268K181063, January 1, 2017 through July 29, 2039
Cluster name:	TRIO Cluster
CFDA number and name:	84.042 TRIO—Student Support Services
Award numbers and years:	P042A150624-16 and P042A150624-17, September 1, 2015 through August 31, 2020
Federal agency:	U.S. Department of Education
Compliance requirement:	Cash management and reporting
Questioned costs:	Not applicable

Condition and context—The District did not have adequate policies and procedures in place to ensure that its reimbursement requests were adequately reviewed, reconciled, and approved prior to submitting them to the federal grantor.

Criteria—In accordance with 2 Code of Federal Regulations (CFR) §200.303, the District must establish and maintain effective internal control over its federal award that provides reasonable assurance that it is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Effect—While we did not identify any errors on the reimbursement requests tested, there is an increased risk that the District may request federal reimbursement for improper, duplicate, or unallowable costs or activities and, therefore, receive federal monies to which it is not entitled.

Cause—The District did not have written policies and procedures for ensuring that reimbursement requests were accurate and properly prepared prior to submitting them to the federal grantor. As such, the District performed its reviews, approvals, and reconciliations after the requests had been submitted to the federal grantor.

Recommendation—To help ensure the District maintains effective financial management and internal controls over the program when preparing and submitting accurate reimbursement requests, the District should establish and implement written policies and procedures requiring that reimbursement requests be reviewed, reconciled, and approved prior to their submission to the federal grantor.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2018-102

Cluster name:	Student Financial Assistance Cluster
CFDA number and name:	84.007 Federal Supplemental Educational Opportunity Grants 84.033 Federal Work-Study Program 84.063 Federal Pell Grant Program 84.268 Federal Direct Student Loans
Award numbers and years:	P007A170107, July 1, 2017 through August 31, 2023; P033A170107, July 1, 2017 through August 31, 2023; P063P171063, May 1, 2017 through October 2, 2023; P268K181063, January 1, 2017 through July 29, 2039
Federal agency:	U.S. Department of Education
Compliance requirements:	Special tests and provisions
Questioned costs:	Not applicable

Condition and context—The District did not have adequate policies and procedures to ensure that all student enrollment status changes were reported to the National Student Loan Data System (NSLDS) within the required time periods by its third-party servicer. As a result, for 2 of 40 students tested, the District did not report student enrollment status changes within 60 days after it received an enrollment reporting roster from NSLDS.

Criteria—For the Federal Pell Grant and Federal Direct Student Loans programs, 34 CFR §§690.83(b)(2) and 685.309(b) require the District to report to the NSLDS student enrollment status changes within 30 days of a change or include the change in status in a response to an enrollment-reporting roster file within 60 days. Student enrollment status changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. Also, the District must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations and award terms (2 CFR §200.303).

Effect—If the NSLDS does not accurately reflect students' enrollment on a timely basis, there is an increased risk that students may not be asked to repay student financial assistance grants and loans if or when required. Although the District did not report the student enrollment statuses within the required time period for these 2 students tested, the student enrollment status changes did not require them to repay grant monies.

Cause—The District used a third-party servicer to report student enrollment status changes to NSLDS but did not have adequate internal control procedures to verify that changes were reported to the NSLDS accurately and in a timely manner.

Recommendation—To help ensure that the District complies with the Student Financial Assistance Cluster's student enrollment reporting requirements, the District should develop and implement procedures to verify that student enrollment status changes reported to the NSLDS by its third-party servicer are accurate and reported within required time periods.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

DISTRICT SECTION

Cochise County Community College District
Schedule of expenditures of federal awards
Year ended June 30, 2018

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
Department of Agriculture					
10 406	Farm Operating Loans				\$ 3,323
Department of Labor					
17 274	YouthBuild		Cochise County Private Industry Council	Youth Career Connect	4,045
National Science Foundation					
47 076	Education and Human Resources				8,388
Small Business Administration					
59 037	Small Business Development Centers		Maricopa County Community College District	SBHQ-18-B-0042, SBHQ-17-B-0026	102,255
59 044	Veterans Business Development				148,530
	Total Small Business Administration				<u>250,785</u>
Department of Education					
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	18FAEABE-812181-01A, 18FAEIEL-812181-01A, 18FAEAPL-812181-01A	397,352
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			86,027
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			92,589
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			6,029,574
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			1,656,412
	<i>Total Student Financial Assistance Cluster</i>				<u>7,864,602</u>
84 042	TRIO—Student Support Services	TRIO Cluster			247,068
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	17FCTDBG-712181-20A, 18FCTDBG-812181-20A	199,594
84 334	Gaining Early Awareness And Readiness For Undergraduate Programs		Northern Arizona University	P334S120012	6,911
	Total Department of Education				<u>8,715,527</u>
	Total expenditures of federal awards				<u>\$ 8,982,068</u>

Cochise County Community College District
Notes to schedule of expenditures of federal awards
Year ended June 30, 2018

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cochise County Community College District for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *Catalog of Federal Domestic Assistance*.

Note 4 - Indirect cost rate

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414 but rather used a negotiated rate per an agreement with the Department of Health and Human Services.

DISTRICT RESPONSE



COCHISE COLLEGE

901 North Colombo Avenue • Sierra Vista, AZ 85635-2317 • 520-515-0500 • www.cochise.edu

March 13, 2019

Lindsey 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,

Wendy Davis, Ph.D.
Vice President for Administration and Human Resources

Federal award findings and questioned costs

2018-101

CFDA number and program name: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans
84.042 TRIO—Student Support Services

Name of contact person: *Wendy Davis, Vice President for Administration and Human Resources*

Anticipated completion date: *March 31, 2019*

The District agrees with the recommendation to update the policies and procedures regarding the review, reconciliation, and approval of the federal grant reimbursement request prior to its submittal. The updated policies and procedures will outline a process to review and approve all federal grant reimbursement requests prior to the entry of such requests into the federal grant-tracking program. The process will include a reconciliation form to be reviewed, signed and dated as part of the approval practice.

2018-102

CFDA number and program name: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Name of contact person: *Dr. James “Bo” Hall, Executive Dean of Student Services*

Anticipated completion date: *Various, see below*

The District agrees with the recommendation to ensure compliance with the cluster’s student enrollment reporting requirements.

The District is experiencing issues with the National Student Clearing House (NSCH) and the updating of graduate statuses to the National Student Loan Data System (NSLDS) within a timely manner. As in previous years, NSCH does not forward information regarding students who are no longer on the District’s rosters to NSLDS. In order to stay in compliance, the District proposes to forward the information directly to NSLDS. The District’s Financial Aid department intends to work with the District’s Technology Services department to produce the information within industry guidelines to forward to NSLDS. The timeline for completion is undetermined at this time.

Additionally, the District has neglected to correct reporting errors in a timely manner. To correct this concern, the District has established policies and procedures and appointed a specific employee to review and correct the errors within a 30-day timeframe. This action has been implemented as of March 1, 2019.



COCHISE COLLEGE

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March 13, 2019

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

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required 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, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Wendy Davis, Ph.D.
Vice President for Administration and Human Resources

Cochise County Community College District
Summary schedule of prior audit findings
Year ended June 30, 2018

Status of financial statement findings

The District should improve its risk-assessment process to include information technology security

Finding number: 2017-01

Status: Partially corrected

The District agrees with the Auditors' assessment and recognizes the threat and the potential liabilities of diminished information technology security. In January 2018, the District made a categorical decision to take corrective measures with a change in leadership in the Information Technology – known internally as Technology Services – Department. This leadership is currently in the process of producing and implementing policies and procedures to address the risk-assessment process. The proposed policy is in the review process and will be implemented as soon as complete.

The District should improve access controls over its information technology resources

Finding number: 2017-02

Status: Partially corrected

The District agrees with the Auditors' assessment of the need to improve access controls over information technology resources. As part of the District's improvement plan, Policies 6055 and 6056 were granted interim approval on June 11, 2018. The fulfillment of these policies is in an ongoing status. Additionally, the District is currently developing Policy 6050 to incorporate added access controls.

The District should improve its configuration management processes over its information technology resources

Finding number: 2017-03

Status: Partially corrected

The District agrees with the Auditors' assessment of the need to improve its configuration management process over information technology resources. As part of the District's improvement plan, Policies 6066 and 6061 were granted interim approval on June 11, 2018. The fulfillment of these policies is in an ongoing status.

The District should improve security over its information technology resources

Finding number: 2017-04, 2016-01

Status: Partially corrected

While the District supported the Auditors recommendation to improve security over the District's information technology resources, the process was hindered in FY17 by transition in the department leadership. With the fulfillment of the leadership transition, the District was able to move forward with the interim approval of Policy 6066 in June 11, 2018. The execution of this policy is in an ongoing status.

The District should improve its contingency planning procedures for its information technology resources

Finding number: 2017-05

Status: Partially corrected

The District agrees with the Auditors' assessment of the need to develop and implement contingency planning procedures for its information technology resources. As part of the District's improvement plan,

Cochise County Community College District
Summary schedule of prior audit findings
Year ended June 30, 2018

Policies 6068 and 6070 were granted interim approval on June 11, 2018. The fulfillment of these policies is in an ongoing status. Additionally, the District is currently developing Policies 6069 and 6050 to incorporate added contingency planning procedures.

