

Cochise County Community College District

Single Audit Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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TABLE OF CONTENTS

Auditors section

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 1

Schedule of findings and questioned costs 4

Summary of auditors' results 4

Financial statement findings 6

Federal award findings and questioned costs 6

District section

Schedule of expenditures of federal awards 9

Notes to schedule of expenditures of federal awards 10

District response

Corrective action plan

Summary schedule of prior audit findings

Reports issued separately

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, 2019. The District's major federal program is 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 the District's major federal program 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, the 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, 2019.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2019-101 and 2019-102. Our opinion on the major federal program is not modified with respect to these matters.

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 2019-101 and 2019-102 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.

District response to findings

The 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 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 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 District's business-type activities and discretely presented component unit as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 11, 2019, 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 24, 2020



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 weaknesses identified? Yes

Significant deficiencies 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 |

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

2019-101

| | |
|---------------------------------|---|
| 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: | P007A180107, July 1, 2018 through June 30, 2019; P033A180107, July 1, 2018 through June 30, 2019; P063P181063, July 1, 2018 through June 30, 2019; P268K191063, July 1, 2018 through June 30, 2019 |
| Federal agency: | U.S. Department of Education |
| Compliance requirement: | Special tests and provisions |
| Questioned costs: | Not applicable |

Condition and context—The District had no evidence that it had performed the required risk assessment and documented safeguards of the student financial aid information it maintains.

Criteria—The District’s agreement with the U.S. Department of Education requires the District to protect student financial aid information by designating an employee to coordinate its information security program. The District must also perform a risk assessment and document a safeguard for each risk identified. (Gramm-Leach-Bliley Act, Title 16 U.S. Code of Federal Regulations, Part 314)

Effect—The District’s administration and information technology (IT) management may put the District’s operations and IT systems and data, including student financial aid information, at unintended and unnecessary risk.

Cause—The District designated an individual to coordinate its information security program over its student financial aid information but relied on an informal and undocumented process to manage, assess, and respond to IT risks.

Recommendation—To help ensure that the District protects student financial aid information, the District should:

- Perform a risk assessment to identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of student financial aid information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information. The risk assessment should consider risks related to:
 - Employee training and management.

- Information systems, including network and software design, as well as information processing, storage, transmission, and disposal.
 - Detecting, preventing, and responding to attacks, intrusions, or other system failures.
- Document and implement a safeguard for each risk identified.
 - Monitor the effectiveness of the safeguards' key controls, systems, and procedures on a periodic basis.
 - Evaluate and adjust the information security program in light of the testing and monitoring results, any significant changes to the District's operations or business arrangements, and any other circumstances that may have a significant impact on the information security program.

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

2019-102

| | |
|---------------------------------|---|
| 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: | P007A180107, July 1, 2018 through June 30, 2019; P033A180107, July 1, 2018 through June 30, 2019; P063P181063, July 1, 2018 through June 30, 2019; P268K191063, July 1, 2018 through June 30, 2019 |
| Federal agency: | U.S. Department of Education |
| Compliance requirements: | Special tests and provisions |
| Questioned costs: | None |

Condition and context—The District did not report student enrollment status changes to the National Student Loan Data System (NSLDS) within the required time period for 1 of 25 students tested. Although the District did not report the student's enrollment status within the required time period, the student's enrollment status change did not require the repayment of student financial assistance.

Criteria—The District is required 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 for the Federal Pell Grant program. Student enrollment status changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. (34 Code of Federal Regulations (CFR) §690.83(b)(2)) 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 the award terms. (2 CFR §200.303)

Effect—The District's students may not be asked to repay student financial assistance grants and loans if or when required if the NSLDS does not accurately reflect students' enrollment status changes in a timely manner.

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 in a timely manner.

Recommendation—To help ensure that its students are asked to repay student financial assistance grants and loans as required, the District should develop and implement procedures to verify that student enrollment status changes reported to the NSLDS by its third-party servicer are 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.

This finding is similar to prior-year finding 2018-102.

DISTRICT SECTION

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019**

| <i>Federal Awarding Agency/Program Title</i> | <i>Federal CFDA Number</i> | <i>Name of Funder Pass-Through Entity</i> | <i>Identifying Number Assigned By Funder Pass-Through Entity</i> | <i>Federal Expenditures</i> | <i>Federal Program Total</i> | <i>Cluster Name</i> | <i>Cluster Total</i> |
|---|------------------------------------|---|--|---------------------------------|--------------------------------------|------------------------------|--------------------------|
| DEPARTMENT OF AGRICULTURE | | | | | | | |
| FARM OPERATING LOANS | 10.406 | | | \$20,555 | \$20,555 | N/A | \$0 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | <u>\$20,555</u> | | | |
| NATIONAL SCIENCE FOUNDATION | | | | | | | |
| EDUCATION AND HUMAN RESOURCES | 47.076 | | | \$12,321 | \$12,321 | N/A | \$0 |
| TOTAL NATIONAL SCIENCE FOUNDATION | | | | <u>\$12,321</u> | | | |
| SMALL BUSINESS ADMINISTRATION | | | | | | | |
| <i>SMALL BUSINESS DEVELOPMENT CENTERS</i> | 59.037 | <i>MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT</i> | <i>SBHQ-18-B-0042 SBHQ-19-B-0026</i> | \$104,502 | \$104,502 | N/A | \$0 |
| TOTAL SMALL BUSINESS ADMINISTRATION | | | | <u>\$104,502</u> | | | |
| DEPARTMENT OF EDUCATION | | | | | | | |
| <i>ADULT EDUCATION - BASIC GRANTS TO STATES</i> | 84.002 | <i>ARIZONA DEPARTMENT OF EDUCATION</i> | <i>19FAEABE-912181-01A 19FAEIEL-912181-01A 19FAEAPL-912181-01A 19FAEIET-912181-01A</i> | \$396,859 | \$396,859 | N/A | \$0 |
| FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS | 84.007 | | | \$121,621 | \$121,621 | STUDENT FINANCIAL ASSISTANCE | \$7,723,516 |
| FEDERAL WORK-STUDY PROGRAM | 84.033 | | | \$84,790 | \$84,790 | STUDENT FINANCIAL ASSISTANCE | \$7,723,516 |
| TRIO_STUDENT SUPPORT SERVICES | 84.042 | | | \$252,322 | \$252,322 | TRIO CLUSTER | \$252,322 |
| <i>CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES</i> | 84.048 | <i>ARIZONA DEPARTMENT OF EDUCATION</i> | <i>18FCTDBG-812181-20A 19FCTDBG-912181-20A</i> | \$157,466 | \$157,466 | N/A | \$0 |
| FEDERAL PELL GRANT PROGRAM | 84.063 | | | \$6,065,528 | \$6,065,528 | STUDENT FINANCIAL ASSISTANCE | \$7,723,516 |
| FEDERAL DIRECT STUDENT LOANS | 84.268 | | | \$1,451,577 | \$1,451,577 | STUDENT FINANCIAL ASSISTANCE | \$7,723,516 |
| <i>GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS</i> | 84.334 | <i>NORTHERN ARIZONA UNIVERSITY</i> | <i>P334S120012</i> | \$84,787 | \$84,787 | N/A | \$0 |
| TOTAL DEPARTMENT OF EDUCATION | | | | <u>\$8,614,950</u> | | | |
| TOTAL EXPENDITURE OF FEDERAL AWARDS | | | | <u>\$8,752,328</u> | | | |

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified 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.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

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, 2019. 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.

Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

DISTRICT RESPONSE



COCHISE COLLEGE

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

March 3, 2020

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

Encl.

Federal award findings and questioned costs

2019-101

CFDA numbers and names: 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: *David Luna, Chief Information Officer*

Anticipated completion date: *June, 2020*

The District agrees with the recommendation to update policies and procedures and to implement an annual entity-wide IT risk assessment in order to safeguard the student financial aid information as outlined in the Gramm-Leach-Bliley Act. The District intends to implement this risk assessment beginning in FY20. Additionally, as required by the aforementioned act, the District will designate an employee to coordinate its information security program

2019-102

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**

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

Anticipated completion date: *April, 2020*

The District agrees with the recommendation to ensure compliance with the cluster's student enrollment reporting requirements. The District continues to experience challenges with the National Student Clearing House (NSCH) and the updating of student statuses to the National Student Loan Data System (NSLDS) within a timely manner. The District proposes the following –

- The District will implement a policy that identifies primary and secondary personnel to fulfill enrollment reporting duties and responsibilities during the absence of any one member. This minimizes the potential of not adhering to reporting procedures in the absence of a staff member.
- The District will implement a procedure that accounts for NSCH processing time of 7 days to ensure NSLDS receives student status changes within the required timeframe. It is the intention of the District to implement a policy to account for service provider lag time to assist in alleviating the issue.



COCHISE COLLEGE

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

February 28, 2020

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

Encl (2)

Cochise County Community College District
Cochise College
Summary schedule of prior audit findings
Year ended June 30, 2019

Status of financial statement findings

Managing risk

Finding numbers: 2018-01, 2017-01

Status: Partially corrected

The District agrees with the Auditors' assessment and recognizes the threat and the potential liabilities of diminished information technology risk management. The District experienced a change in leadership in the Technology Services department in April of 2019 and continues to experience vacancies in several key positions, which has slowed necessary changes. Despite these setbacks, the District has conducted an IT security vulnerability risk assessment and is working towards remediation of those identified vulnerabilities. The District has established and implemented a bi-annual vulnerability assessment. A complete IT security risk assessment is planned for spring of 2020, at which time the process for future risk assessments will be finalized.

Information technology (IT) controls—access, configuration and change management, security, and contingency planning

Finding numbers: 2018-02, 2017-02, 2017-03, 2017-04, and 2017-05

Status: Partially corrected

The District agrees with the Auditors' assessment and recognizes the threat and the potential liabilities of diminished information technology controls for access, configuration and change management, and security. The District experienced a change in leadership in the Technology Services department in April of 2019 and continues to experience vacancies in several key positions, which has slowed necessary changes. Currently, data access review is being conducted with data owners to review and verify user access to data. The District has begun implementation of a disaster recovery plan, which includes identification of functions, and IT systems that would need to be restored and in which priority. Anticipated completion of this plan is set for spring of 2020.

Cochise County Community College District
Cochise College
Summary schedule of prior audit findings
Year ended June 30, 2019

Status of federal award findings and questioned costs

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

Finding number: 2018-101
Status: Fully corrected

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

Finding number: 2018-102
Status: Partially corrected

The District agrees with the recommendation to ensure compliance with the cluster's student enrollment reporting requirement. In March of 2019, the District appointed a specific employee to review and correct errors within a 30-day timeframe. This eliminated the late reporting issues, which previously the District previously experienced. However, the District continues to experience challenges with the third party servicer, National Student Clearing House (NSCH). The District has found that information provided to NSCH has not been reported to National Student Loan Data System (NSLDS) in a timely manner, thereby creating compliance issues for the District. Unfortunately, the District is required to use the services of NSCH for tracking purposes, which are required by other governmental agencies. The District has previously attempted to independently submit the information directly to NSLDS to ensure timing compliance, only to find that NSLDS will only accept this information from a single source. The District will continue to explore other options to adhere to time requirements addressed with this finding.

