

**Cochise County Community College District  
(Cochise College)**

**Single Audit Reporting Package**

**Year Ended June 30, 2007**

**Cochise County Community College District  
(Cochise College)  
Single Audit Reporting Package  
Year Ended June 30, 2007**

**Table of Contents**

**Page**

**Comprehensive Annual Financial Report**

Issued separately

**Single Audit Section**

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 <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards .....	5
Schedule of Findings and Questioned Costs	
Summary of Auditor's Results .....	7
Financial Statement Findings .....	8
Federal Award Findings and Questioned Costs .....	9
<b>District Responses</b>	
Corrective Action Plan .....	11

**Independent Auditor's 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***

The Auditor General of the State of Arizona

The Governing Board of  
Cochise County Community College District

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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2007. Our report was modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Cochise College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Cochise College Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. The Cochise College Foundation did not provide the reported results of the other auditors' testing of internal control over its financial reporting. Consequently, this report does not include our consideration of the other auditors' testing of internal control over financial reporting that is reported on separately by those other 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 basic 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 District'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 District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider item **07-1** described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in 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 basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic 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*.

Cochise County Community College District's response to the finding identified in our audit is presented on page 11. We did not audit the District's response and, accordingly, we express no opinion on it.

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, 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. However, this report is a matter of public record, and its distribution is not limited.



December 13, 2007

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Governing Board of  
Cochise County Community College District

**Compliance**

We have audited the compliance of Cochise County Community College 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, 2007. 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 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 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 of the District's compliance with those requirements.

In our opinion, Cochise 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, 2007.

**Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the District'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 District'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 District's internal control. We consider item **07-2** described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

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 District's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

#### **Schedule of Expenditures of Federal Awards**

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, 2007, and have issued our report thereon dated December 13, 2007. Our report was modified to include a reference to our reliance on other auditors. Our audit was performed for the purpose of forming 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.

Cochise County Community College District's response to the finding identified in our audit is presented on page 12. We did not audit the District's response and, accordingly, we express no opinion on it.

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, 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. However, this report is a matter of public record, and its distribution is not limited.

*Miller, Allen & Co., P.C.*

January 31, 2008, except for  
the Schedule of Expenditures of  
Federal Awards, for which the  
date is December 13, 2007

**Cochise County Community College District  
(Cochise College)  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Amount Provided to Subrecipients
<b>U.S. Small Business Administration</b>				
Passed through Maricopa County Community College District:				
Small Business Development Center	59.037	6-603001-Z-0003-14 7-603001-Z-0003	\$ 80,104	
<b>U.S. Department of Education</b>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		64,208	
Federal Family Education Loans	84.032		1,818,606	
Federal Work-Study Program	84.033		122,074	
Federal Pell Grant Program	84.063		3,381,737	
Academic Competitiveness Grants	84.375		3,666	
Total Student Financial Assistance Cluster			<u>5,390,291</u>	
Higher Education-Institutional Aid	84.031		926,849	\$ 150,446
TRIO-Student Support Services	84.042		252,546	
Passed through the Arizona Department of Corrections:				
Grants to States for Incarcerated Youth Offenders	84.331	010115DC	65,000	
Passed through the Arizona Department of Education:				
Adult Education-State Grant Program	84.002	07FAEABE-770536-01A 07FAECIV-770536-03A 07FAEAEA-770536-07A	572,245	
Vocational Education-Basic Grants to States	84.048	06FCTDBG-670536-07A 07FCTDBG-770536-05A	224,581	
Even Start-State Educational Agencies	84.213	07FECEVS-770536-08A	72,144	
Tech-Prep Education	84.243	07FCTDTP-770536-04A 06FCTDTP-670536-05A	169,792	71,661
Passed through the Arizona Commission for Postsecondary Education:				
Leveraging Educational Assistance Partnership	84.069	LEAP	10,257	
Total U.S. Department of Education			<u>7,683,705</u>	<u>222,107</u>
<b>U.S. Department of Health and Human Services</b>				
Direct Programs:				
Nursing Workforce Diversity	93.178		247,051	
Passed through Cochise County Health Department:				
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	STEPS	330	
Total U.S. Department of Health and Human Services			<u>247,381</u>	
Total Expenditures of Federal Awards			<u>\$ 8,011,190</u>	<u>\$ 222,107</u>

See accompanying notes to schedule.

**Cochise County Community College District  
(Cochise College)  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cochise County Community College District and 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*.

**Cochise County Community College District  
(Cochise College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007**

**Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued:	<b>Unqualified</b>	
	<u>YES</u>	<u>NO</u>
Material weakness identified in internal control over financial reporting?	___	<u>X</u>
Significant deficiency identified not considered to be a material weakness?	<u>X</u>	___
Noncompliance material to the financial statements noted?	___	<u>X</u>

***Federal Awards***

Material weakness identified in internal control over major programs?	___	<u>X</u>
Significant deficiency identified not considered to be a material weakness?	<u>X</u>	___

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.042	TRIO – Student Support Services
84.243	Tech – Prep Education
Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000	
Auditee qualified as low-risk auditee?	<u>X</u>	___

***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>
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**Cochise County Community College District  
(Cochise College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007**

**Financial Statement Findings**

***Item: 07-1***

College policy requires employees to input their time for each pay period into the online time tracking system. This information is then routed to the applicable department manager for their approval, before being routed to the payroll department. Controls have not been established to help ensure that all required approvals are received before payroll is processed. As a result, for four of forty-two payroll transactions selected for testing, hours worked that were input into the time tracking system by the employee were not indicated as approved by the department manager. In order for payroll to be processed for these employees, the payroll department overrode the required approval field within the system.

Controls should be established that require department managers to review all employee time input into the system and indicate their approval before payroll is processed.

**Cochise County Community College District  
(Cochise College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007**

**Federal Award Findings and Questioned Costs**

***Item: 07-2***

*CFDA Numbers:* 84.042 TRIO-Student Support Services; 84.243 Tech-Prep Education

*Grantor:* U.S. Department of Education

*Award Periods:* 9/1/05 through 8/31/07; 7/1/05 through 9/30/07

*Award Numbers:* P042A051023, 07FCTDTP-770536-04A, 06FCTDTP-670536-05A

*Questioned Costs:* N/A

College policy requires employees to input their time for each pay period into the online time tracking system. This information is then routed to the applicable department manager for their approval, before being routed to the payroll department. Controls have not been established to help ensure that all required approvals are received before payroll is processed. As a result, for four of forty two payroll transactions selected for testing, hours worked that were input into the time tracking system by the employee were not indicated as approved by the department manager. In order for payroll to be processed for these employees, the payroll department overrode the required approval field within the system.

Controls should be established that require department managers to review all employee time input into the system and indicate their approval before payroll is processed.

## District Responses

**Cochise County Community College District  
(Cochise College)  
Corrective Action Plan  
Year Ended June 30, 2007**

**Financial Statement Findings**

***Item: 07-1***

*Contact Person:* Kevin S. Butler, Vice President for Administration

*Anticipated Completed Date:* July 1, 2008

*Corrective Action:* In FY2007, the Cochise County Community College District expanded the use of the electronic time entry and approval payroll system to apply to all District employees, other than Federal Work-Study. Although there is no formal institutional policy on time record approval, upon an employee's timesheet submittal, the web time entry system sends a workflow notification to the employee's supervisor requesting their approval. The system does not release employee payroll data that initiates payment until the predetermined supervisor has approved the employee's time sheet.

During the transitional phase, College administration provided safeguards to ensure payment was made to employees in the event of system failure. The primary safeguard was to have Payroll personnel assist as back-up approvers to the supervisors. At the time, the overall risk to the College for having a third party approve time was assessed to be low. More current examinations of the process have indicated that the rate of approval failure needs to be addressed.

College administration has begun an educational process, using district-wide emails, to remind supervisors of their role in the payroll process, what their approval signifies, why it is critical to our internal controls, and how their inaction is perceived by our constituents and funding agencies. College administration is currently reviewing system modifications as well as incentive and disincentive options. Possible system enhancements include: eliminating a current practice that prohibits classified staff from approving timesheets even when they have first-hand knowledge of an employee's work hours; making better use of the system's proxy approver function; and moving forward the required employee timesheet submittal date to allow for additional time for backend review prior to the payroll run. The college will assess which, if any, modifications may be effectively implemented over the remainder of FY2008. The identification of appropriate corrections, including those outlined above, will be reviewed during FY2008 with full implementation of corrective actions effective no later than July 1, 2008.

**Cochise County Community College District  
(Cochise College)  
Corrective Action Plan  
Year Ended June 30, 2007**

**Federal Award Findings and Questioned Costs**

***Item: 07-2***

CFDA Numbers: 84.042 TRIO-Student Support Services; 84.243 Tech-Prep Education

*Contact Person:* Kevin S. Butler, Vice President for Administration

*Anticipated Completed Date:* July 1, 2008

*Corrective Action:* In FY2007, the Cochise County Community College District expanded the use of the electronic time entry and approval payroll system to apply to all District employees, other than Federal Work-Study. Although there is no formal institutional policy on time record approval, upon an employee's timesheet submittal, the web time entry system sends a workflow notification to the employee's supervisor requesting their approval. The system does not release employee payroll data that initiates payment until the predetermined supervisor has approved the employee's time sheet.

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