



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Coconino County Community College District

Year Ended June 30, 2015

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**Debra K. Davenport**  
Auditor General

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Coconino County Community College District  
Single Audit Reporting Package  
Year Ended June 30, 2015

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**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  
Coconino County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2015, 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 4, 2015. Our report includes a reference to other auditors who audited the financial statements of the Coconino Community College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. 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. However, the financial statements of the Coconino Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Coconino Community College Foundation.

**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) to determine the 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 did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-01, that we consider to be a significant deficiency.

### **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 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*.

### **Coconino County Community College District's Response to Findings**

Coconino County Community College District's response to the finding identified in our audit is presented on page 13. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

### **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.

Jay Zsorey, CPA  
Financial Audit Director

December 4, 2015



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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 OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of  
Coconino County Community College District

**Report on Compliance for Each Major Federal Program**

We have audited Coconino 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 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 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, Coconino 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, 2015.

## **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 OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Purpose of this Report**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 4, 2015, 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 OMB Circular A-133 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.

Jay Zsorey, CPA  
Financial Audit Director

December 4, 2015

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**Coconino County Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures
<b>Department of Labor</b>					
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants				\$ 798,354
<b>National Science Foundation</b>					
47 076	Education and Human Resources		Science Foundation Arizona	Subaward STEM 605-14, Prime # DUE-1400687	5,647
<b>Small Business Administration</b>					
59 037	Small Business Development Centers		Maricopa County Community College District	0-603001-Z-0003- 18	39,993
<b>Department of Education</b>					
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	15FAEABE-570545- 16B, 15FAEAEF- 570545-16B, 15FAEADL-570545- 16B, 15FAECCR- 570545-05A	131,660
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			153,487
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			93,984
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			3,922,083
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			3,372,100
	<i>Total Student Financial Assistance Cluster</i>				<u>7,541,654</u>
84 042	TRIO—Student Support Services	TRIO Cluster			197,291
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	15FCTDBG- 570545-20A, 14FCTDBG- 470545-08A, 14FCTPSG-470545- 81A, 15FCTPSG- 570545-43B	239,718
84 051	Career and Technical Education—National Programs		Arizona Department of Education	14FCTRPS-470545- 84A	5,527
	<b>Total Department of Education</b>				<u>8,115,850</u>
<b>Department of Health and Human Services</b>					
93 859	Biomedical Research and Research Training		Northern Arizona University	Subaward 1001966- 02, Prime # 1R25GM102788-01	26,854
	<b>Total expenditures of federal awards</b>				<u>\$ 8,986,698</u>

See accompanying notes to schedule.

Coconino County Community College District  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Coconino 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 2015 *Catalog of Federal Domestic Assistance*.

Coconino County Community College District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

**Yes**      **No**

Internal control over financial reporting:

Material weakness identified? \_\_\_        X  

Significant deficiency identified?   X        \_\_\_

Noncompliance material to the financial statements noted? \_\_\_        X  

***Federal Awards***

Internal control over major programs:

Material weakness identified? \_\_\_        X  

Significant deficiency identified? \_\_\_        X    
(None reported)

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? \_\_\_        X  

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
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
	TRIO Cluster:
84.042	TRIO—Student Support Services

Coconino County Community College District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

**Yes**      **No**

Auditee qualified as low-risk auditee?        X              

***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?        X

Coconino County Community College District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Financial Statement Findings

**2015-01**

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**The District should improve its disaster recovery plan and data backup procedures for its information technology resources**

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Criteria: It is critical that the District have a comprehensive up-to-date disaster recovery plan and data backup policies and procedures in place to provide for the continuity of operations and to help ensure that vital information technology (IT) resources, which include its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Condition and context: Auditors reviewed the District's disaster recovery processes and determined it lacked key elements for restoring operations, specifically:

- The plan did not include an analysis and prioritization of recovery for key business processes, including acceptable time frames for restoring those processes.
- The plan did not identify alternate storage and processing sites should a disaster render the District's data center inoperable.
- The plan did not identify the names of key personnel assigned to disaster recovery teams.
- The District did not perform regularly scheduled, comprehensive tests of its plan; document test results; and update the plan for any problems noted. Further, the plan did not include procedures for distributing the plan to key personnel after updates have been made.
- The District did not test its backup data on a regular basis, and did not have written policies and procedures detailing the data backup procedures, including restoring the systems using the backup data in an emergency.
- The plan did not include procedures for coordinating security incident response activities.
- The District did not provide regular training to ensure staff would be prepared to carry out the plan.

Effect: The District risks not being able to provide for the continuity of operations, recover vital IT resources and data, and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could also cause inaccurate or incomplete system information and data and expensive recovery efforts.

Cause: The District drafted a comprehensive disaster recovery plan; however, it was unfinished at June 30, 2015, and many key elements had not yet been addressed.

Recommendation: To help ensure the continuity of the District's operations in the event of a disaster, system or equipment failure, or other interruption, the District should:

- Conduct a business impact analysis to evaluate the impact disasters could have on its critical business processes and revise its disaster recovery plan to include the results of the analysis.
- Identify a backup processing site and develop procedures for migrating critical infrastructure to the alternate site.

Coconino County Community College District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

- Ensure that the disaster recovery plan is updated with the names of key personnel assigned to disaster recovery teams along with their contact information.
- Develop a process to perform regularly scheduled tests of the disaster recovery plan and document the tests performed and results. This process should include updating and testing the plan at least annually or as changes necessitate. Plan testing may include actual tests, simulations, or table top discussions and should be comprehensive enough to evaluate whether the plan can be successfully carried out. Test results should also be used to update or change the plan. Lastly, plan updates should be communicated to key personnel.
- Establish policies and procedures for testing backups of IT systems and data to help ensure that the District could recover them in the event that they are needed. Policies and procedures should require data backups to be protected with encryption methods.
- Develop procedures to coordinate security incident response activities.
- Develop and implement a training schedule for staff responsible for implementing the plan.

#### Federal Award Findings and Questioned Costs

None reported.



Debbie Davenport  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

**We have prepared the accompanying Corrective Action Plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the current year's Schedule of Finding and Questioned Costs.**

Sincerely,

**Jami VanEss**  
Vice President of Business and Administrative Services

## Proposed Remediation Approach for Financial Statement Finding 2015-01

### **Disaster Recovery**

Coconino Community College (CCC) will remediate the disaster recovery (DR) finding leveraging a two-phase approach. The primary responsible person will be Carl Scott, Chief Technology Officer for CCC. The first phase will be undertaken during the current fiscal year and it will involve: conducting a business impact analysis; refining the current disaster recovery plan (to ensure it includes established priorities, developed policies/procedures, identification of key personnel, scheduling/conduct of training and required tests, etc.); implementing a representative DR environment; testing the execution of the DR plan/environment; and initial remediation (if required) of any critical test issues documented in results of the execution of the DR plan. Given the late starting point within the current fiscal year, the first phase of remediation will primarily leverage equipment that is available for reutilization or that will become available during the fiscal year. Newly acquired capabilities (such as redundant Internet connectivity) will also be required to ensure the DR environment is brought online in time for testing. A rough schedule of activities to complete the first phase is as shown below.

<b>Major Activity</b>	<b>Timeframe</b>
Business Impact Analysis	December 2015 – January 2016
Refinement of DR Plan and Development of Policies/Procedures	January – April 2016
Implementation of Representative DR Environment	January – April 2016
Training/Conduct of DR Test	May 2016
Initial Remediation of Critical DR Test Issues & Retest, If Required	May – June 2016

This second phase of remediation will occur during the FY 2017 fiscal year. It will include any required improvements as determined by testing/actual use of the first phase DR environment as well as any needed expansion/modernization to ensure the environment's long-term viability. A schedule for the second phase will be developed at a later date.

### **Security Incident Handling**

A formal policy and set of procedures will be written/approved/implemented not later March 31<sup>st</sup>, 2016 to address the requirements for identifying, reporting, investigating, and remediating security incidents. Training will be provided to all faculty and staff as part of the formal implementation.



December 4, 2015

Debbie Davenport  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

We have prepared the accompanying Summary Schedule of Prior Audit Findings as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards.

Sincerely,

Jami VanEss  
Vice President of Business and Administrative Services

Coconino County Community College District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015

Status of Federal Award Findings and Questioned Costs

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CFDA No.: 84.042 **TRIO Cluster: TRIO—Student Support Services**

Finding No.: 2014-001

Status: Fully corrected.

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