



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Report on Internal Control and Compliance

Maricopa County Community College District

Year Ended June 30, 2010



Debra K. Davenport
Auditor General

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Maricopa County Community College District
Report on Internal Control and Compliance
Year Ended June 30, 2010

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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
Maricopa County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2010. 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 Maricopa County Community College District Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Maricopa County Community College District Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 10-01 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 10-02 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 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*.

Maricopa County Community College District's responses to the findings identified in our audit are presented on pages 5 through 7. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, others within the District, 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.

Jay Zsorey, CPA
Financial Audit Director

December 1, 2010

Maricopa County Community College District
Schedule of Findings and Recommendations
Year Ended June 30, 2010

Financial Statement Findings

10-01

The District should continue to strengthen computer access controls

Criteria: The District should have effective computer access controls to help prevent and detect unauthorized use, damage, loss, or modification of programs and data, and misuse of sensitive or confidential information.

Condition and context: The District uses three main computerized systems to initiate, record, process, and report financial, human resources and payroll, and student information. However, during fiscal year 2010, the District did not have adequate policies and procedures in place for granting access to its computer systems. Specifically, there were no guidelines to help ensure that the level of system access granted was compatible with the employees' job responsibilities. Also, the District did not have adequate procedures for revoking users' system access after users terminated employment or transferred jobs within the District. In addition, the District had numerous administrative and superuser employees who had unlimited access privileges, and the District did not monitor those accounts. Further, auditors noted five student information system user accounts that had incompatible roles resulting in these users' having complete control over disbursements.

Effect: There is an increased risk of theft, manipulation, or misuse of sensitive or confidential information by unauthorized users. This finding is a material weakness in internal control over financial reporting.

Cause: The District did not establish district-wide policies and procedures for access to its human resources and payroll system and financial system. In addition, the student information system's policies and procedures were poorly designed.

Recommendation: The District should establish and implement the following policies and procedures to help strengthen system access controls:

- Develop a standardized form to document granting or revoking system access and the associated approvals and retain completed authorization forms.
- Identify all administrative users and superusers, and require independent reviews of their activities on the system.
- Identify responsibilities considered incompatible and ensure that they are not assigned to any one employee.

This finding is similar to a prior-year finding.

Maricopa County Community College District
Schedule of Findings and Recommendations
Year Ended June 30, 2010

10-02

The District should continue to strengthen computer change controls

Criteria: Effective change controls should ensure that program changes and changes to data are valid, meet user needs, are reviewed and approved independently, and are implemented accurately. Change management policies and procedures should be documented for all types of changes.

Condition and context: During the fiscal year, the District changed its policies and procedures over computer change controls to address deficiencies noted in the prior year's audit. However, the District's procedures did not include detailed guidance for employees to follow for all types of computer changes. For example, the District's change management plan indicated that there were six types of changes; however, all flowcharts and documents were specific to only one type of change. Also, the plan lacked adequate guidance on testing and implementation procedures and overall process steps for the six types of changes identified. Further, the District did not have a procedure in place to independently reconcile the approved changes to actual system changes implemented. In addition, database administrators, development managers, and programmers had incompatible responsibilities since they could approve the changes and implement them. No monitoring of the employees' activities was performed.

Effect: Inadequate controls could lead to unauthorized changes or changes that were not made accurately. This finding is a significant deficiency in internal control over financial reporting.

Cause: The District's updated procedures were incomplete and the procedures for monitoring and reconciling changes made to those that were approved were inadequate.

Recommendation: The District should ensure that the written policies and procedures in the plan include overall process steps and detailed guidance, such as testing and implementation procedures for employees to follow for all six types of computer changes. In addition, the District should establish procedures to have an employee independent of the process reconcile the approved changes to actual system changes made. Further, the District should develop a system for monitoring changes made by database administrators, development managers, and programmers who have incompatible responsibilities.

This finding is similar to a prior-year finding.



www.maricopa.edu

DR. RUFUS GLASPER
CHANCELLOR

2411 W. 14th St.
Tempe, Arizona
85281-6942

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Telephone
480.731.8000

•
Fax
480.731.8506

January 25, 2010

Ms. Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying corrective action plan has been prepared as required by Government Auditing Standards. Specifically, we are providing you with the names of the contact people responsible for the corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the Schedule of Findings and Recommendations for the fiscal year ended June 30, 2010.

Sincerely,

Kimberly Brainard Granio, CPA
Director, Financial Services and Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2010

Financial Statement Findings

10-01

The District should continue to strengthen computer access controls

Contact person: Earl Monsour

Anticipated completion date: June 2011

Corrective Action Planned:

The District agrees with the findings and recommendations. The following steps will be taken by the District:

1. Develop a process and standardized document to manage access rights to systems – approvals, changes or removals.
2. Develop a process to define and identify administrative and super-users, their roles and responsibilities. Develop report to track and procedure to review database access.
3. Develop and monitor reports to ensure that incompatible user roles and responsibilities are not assigned inappropriately to any individual.
4. Document the employee termination process for each system.
5. Employees in the District responsible for administration of access controls will be trained in all appropriate areas, depending on their assignment.

10-02

The District should continue to strengthen computer change controls

Contact person: Earl Monsour

Completion date: June 2011

Corrective Action:

The District agrees with the findings and recommendations. The following steps will be taken by the District:

1. The Change Management Plan will be reviewed and updated. Processes, flowcharts, roles and responsibilities, and definitions will be revised for content, control and clarity.
2. Change procedures for key system applications will be reviewed and updated to identify the processes for:
 - a. Submitting, vetting, and tracking change requests from receipt of request through to completion and validating.
 - b. Developing, testing, acceptance, and migration of proposed changes into production.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2010

- c. Providing, limiting and controlling individuals' access to perform change migration activities.
 - d. Develop procedure to track change migrations.
3. Employees in the District responsible for change controls will be trained in all appropriate areas, depending on their assignment.

