

# Pinal County Community College District (Central Arizona College)

Single Audit Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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Comprehensive Annual Financial Report



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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  
Pinal County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District 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, and have issued our report thereon dated June 17, 2021. Our report includes a reference to other auditors who audited the financial statements of the Central Arizona 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 Foundation's financial statements 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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-01, 2019-02, and 2019-03, that we consider to be material weaknesses.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as item 2019-01.

## **District's 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 the basic financial statements, and accordingly, we express no opinion on them.

## **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.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

June 17, 2021



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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 the Uniform Guidance**

Members of the Arizona State Legislature

The Governing Board of  
Pinal County Community College District

**Report on compliance for each major federal program**

We have audited Pinal 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 programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's responsibility***

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

***Auditors' responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for qualified opinion on the Student Financial Assistance Cluster***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Student Financial Assistance Cluster's special tests and provisions as described in 2019-102. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### ***Qualified opinion on the Student Financial Assistance Cluster***

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, 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 the Student Financial Assistance Cluster for the year ended June 30, 2019.

### ***Other matters***

The results of our auditing procedures disclosed other 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, 2019-103, and 2019-104. Our opinion on each 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-101, 2019-102 and 2019-103 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-104 to be a significant deficiency.

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's 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 June 17, 2021, that contained an unmodified opinion 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 opinion 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 A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

July 7, 2021



# 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
<b>Internal control over financial reporting</b>	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

### Federal awards

<b>Internal control over major programs</b>	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs	Qualified
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

## 2019-01

The District issued its Annual Financial Report late, resulting in untimely financial information for decision makers and the District losing its credit rating

**Condition**—The District issued its Annual Financial Report 24 months after fiscal year-end, 17 months later than long-term debt covenants require and 16 months later than State law requires.

**Effect**—The District did not provide timely financial information to its governing board, creditors, and others who rely on it to make important decisions about the District's operations. Additionally, because the District had not issued timely financial statements, its Annual Budgeted Expenditure Limitation Report (ABELR), which relies on information from the Annual Financial Report and was due 9 months after fiscal year-end, will also be issued late. Finally, the District lost its credit rating with one rating agency and risks its credit rating being lost or downgraded with another rating agency because the District failed to comply with its long-term debt covenants.

**Cause**—The District implemented a new general ledger system during the fiscal year and needed additional time and resources to reconcile this new system to its student information system and previous general ledger system before preparing its Annual Financial Report. Also, the District's misstatements we reported in finding 2019-02 delayed the issuance of its Annual Financial Report by an additional 3 months.

**Criteria**—The District's long-term debt covenants required it to issue its June 30, 2019 audited Annual Financial Report by March 1, 2020. Further, State law requires the District to issue its annual audited Annual Financial Report and ABELR within 9 months after fiscal year-end. (Arizona Revised Statutes §41-1279.07[C])

**Recommendations**—The District should:

1. Allocate sufficient resources to reconcile its general ledger and student information systems in a timely manner prior to report preparation.
2. Implement the recommendations in finding 2019-02 so that the District can prepare and issue its Annual Financial Report in accordance with deadlines.

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

This finding is similar to prior-year finding 2018-01.

## 2019-02

The District's initial financial statements contained significant misstatements and misclassifications, which increased the risk that those relying on the reported financial information could be misinformed

**Condition**—Contrary to generally accepted accounting principles (GAAP), the District's initial financial statements contained significant misstatements and misclassifications that we identified. The District's Accounting Services Department subsequently corrected these errors, which included:

- \$5.5 million of operating expenses that were misclassified between several functional expense categories—misclassifications totaled 8.3 percent of operating expenses.
- \$2.9 million overstatement of unrestricted net position that should have been classified as externally restricted—misclassification was 2 percent of total net position.
- \$1.1 million of property tax revenues that were understated—misstatement was 1.5 percent of total nonoperating revenues.
- \$1.1 million of noncapital financing cash flows that were misclassified as operating—misclassification was 1.5 percent of total noncapital financing cash flows.

**Effect**—These errors delayed the issuance of the District’s Annual Financial Report by an additional 3 months as explained in finding 2019-01. The District corrected the errors we identified before issuing its Annual Financial Report that included its financial statements. However, there is an increased risk that the District’s financial statements could contain significant misstatements and misinform those who are relying on the information, such as bond rating and regulatory agencies.

**Cause**—The District’s Accounting Services Department did not follow its established procedures for preparing accurate financial statements in accordance with GAAP. In addition, the Department’s management did not fully train accounting staff on how to obtain financial information from the new general ledger system to prepare the financial statement supporting schedules. Further, the Department’s management did not perform detailed supervisory reviews to detect and correct misstatements in the financial statements before providing them for audit.

**Criteria**—The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the District to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the District’s governance, and management, and others who are relying on the reported financial information to make important decisions about the District’s financial operations.

**Recommendations**—The District’s Accounting Services Department should:

1. Follow its established procedures for compiling the financial statements to ensure they are prepared in accordance with GAAP.
2. Train accounting staff on how to pull reports from the general ledger system to prepare the financial statement supporting schedules.
3. Require management to perform detailed supervisory reviews to ensure that the financial statements are accurate, properly supported, and presented in accordance with GAAP and to detect and correct misstatements in the financial statements before providing them for audit. This review should be performed by an individual who is independent of the financial statements’ preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures.

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

## 2019-03

### The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

**Condition**—The District's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The District lacked sufficient procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

**Effect**—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

**Cause**—Although the District made progress on correcting prior-year IT control weaknesses, the District did not sufficiently document and implement policies and procedures over protecting IT systems and data because resources were dedicated to implementing its new general ledger system.

**Criteria**—The District should follow a credible industry source such as the National Institute of Standards and Technology to implement effective internal controls that protect its IT systems and help ensure the integrity and accuracy of the data it maintains, as follows:

- **Restricting access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Securing systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

**Recommendations**—The District should:

1. Make it a priority to develop and document remaining IT policies and procedures and ensure appropriate supporting documentation is maintained.

**Restricting access**—To restrict access to its IT systems and data, document and implement processes to:

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
3. Remove terminated employees' access to IT systems and data.

**Securing systems and data**—To secure IT systems and data, develop, document, and implement processes to:

4. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.

5. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

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 2018-02.

## Federal award findings and questioned costs

### 2019-101

**Assistance Listings numbers** Not applicable

**and names:**

**Questioned costs:** N/A

**Condition**—The District did not submit its June 30, 2019 Single Audit Report to the federal audit clearinghouse until July 2021, which was 16 months later than required.

**Effect**—Submitting the Single Audit Report late prevents the federal government, the State, and other grantors of federal awards from having current information to effectively monitor their programs and could delay corrective actions that need to be taken by the District. Further, federal and State grantors may deny future federal awards or subject the District to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the reporting requirements over the District's major federal programs.

**Cause**—The District failed to prepare its June 30, 2019 Annual Financial Report in an accurate and timely manner for the reasons we reported in findings 2019-01 and 2019-02.

**Criteria**—Federal regulations require the District to maintain effective internal controls to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end. (2 Code of Federal Regulations [CFR] §§200.302 and 200.512)

**Recommendation**—The District should improve its financial reporting process, as noted in findings 2019-01 and 2019-02, so that it can submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end.

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

This finding is similar to prior-year finding 2018-101.

## 2019-102

<b>Cluster name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listings numbers and names:</b>	84.007 <b>Federal Supplemental Educational Opportunity Grants</b> 84.033 <b>Federal Work-Study Program</b> 84.063 <b>Federal Pell Grant Program</b> 84.268 <b>Federal Direct Student Loans</b>
<b>Award numbers and year:</b>	P007A180134; P033A180134; P063P182910/192910; P268K182910/192910; July 1, 2018 through June 30, 2019
<b>Federal agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance requirement:</b>	Special tests and provisions
<b>Questioned costs:</b>	Unknown

**Condition**—Contrary to federal regulations, the District did not report student enrollment status changes to the National Student Loan Data System (NSLDS) within the required time periods and did not report the correct status change dates for all 60 students we tested.

**Effect**—By failing to accurately and timely report its students' enrollment status changes to NSLDS, the District's students may not be asked to repay student financial assistance grants and loans if or when required.

**Cause**—The District had not developed and implemented procedures to verify that student enrollment status changes recorded on its student information system and reported to NSLDS were accurate and were reported to NSLDS within required time periods. Consequently, the individual assigned with reporting student enrollment status changes to NSLDS did not verify that reports being generated with student enrollment data were accurate and submitted on time. Further, the District had not assigned an employee independent of submitting the enrollment status changes to review the information for accuracy.

**Criteria**—Federal regulations require the District to report to the NSLDS student enrollment status changes within 30 days of a change or include the change in status in a response to an enrollment-reporting roster file within 60 days for the Federal Pell Grant and Federal Direct Student Loans programs. Student enrollment status changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. (34 CFR §§690.83[b][2] and 685.309[b]) Federal regulation also requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal awards are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

**Recommendation**—The District should:

1. Develop and implement procedures to verify that student enrollment status changes recorded on its student information system and reported to NSLDS are accurate and this data is reported to NSLDS within required time periods.
2. Assign an employee who is independent of submitting the enrollment status changes to review the information for accuracy.

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

This finding is similar to prior-year finding 2018-103.

## 2019-103

<b>Cluster name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listings numbers and names:</b>	84.007 <b>Federal Supplemental Educational Opportunity Grants</b> 84.033 <b>Federal Work-Study Program</b> 84.063 <b>Federal Pell Grant Program</b> 84.268 <b>Federal Direct Student Loans</b>
<b>Award numbers and year:</b>	P007A180134; P033A180134; P063P182910/192910; P268K182910/192910; July 1, 2018 through June 30, 2019
<b>Federal agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance requirement:</b>	Reporting
<b>Questioned costs:</b>	Unknown

**Condition**—Contrary to federal regulations, the District did not report accurate anticipated or actual disbursement dates and did not report its student record information in a timely manner for 8 of 40 students tested when reporting Federal Pell Grant Program information on the Common Origination and Disbursement (COD) system.

**Effect**—By failing to accurately and timely report its students' Pell grant information to the NSLDS, the District's students may be over or under awarded Pell monies.

**Cause**—The District did not have policies and procedures in place to ensure students' origination and disbursement data was accurately reported to the COD system within the required time periods. Also, the District did not assign an employee who is independent of the COD reporting preparation to verify the accuracy of information reported to the COD system.

**Criteria**—Federal regulations require reporting disbursement data, such as anticipated or actual disbursement dates and amounts, as well as student record origination data, such as a student's social security number, enrollment date, verification status code, and cost of attendance on the COD system for the Federal Pell Grant Program within 15 days after making a payment or becoming aware of the need to adjust previously reported data. If anticipated disbursement dates are reported, the District must submit them no earlier than 7 calendar days prior to the date the District expects to disburse monies to the student. (34 CFR §690.83[b][2] and 82 Federal Register 29061) Federal regulation also requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

**Recommendation**—The District should:

1. Develop and implement policies and procedures to accurately report students' origination and disbursement data to the COD system within required time periods.
2. Require an employee who is independent of the COD reporting preparation to verify the accuracy of information reported to the COD system.

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

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

## 2019-104

<b>Cluster name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listings numbers and names:</b>	84.007 <b>Federal Supplemental Educational Opportunity Grants</b> 84.033 <b>Federal Work-Study Program</b> 84.063 <b>Federal Pell Grant Program</b> 84.268 <b>Federal Direct Student Loans</b>
<b>Award numbers and year:</b>	P007A180134; P033A180134; P063P182910/192910; P268K182910/192910; July 1, 2018 through June 30, 2019
<b>Federal agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance requirement:</b>	Special tests and provisions
<b>Questioned costs:</b>	Not applicable

**Condition**—Contrary to federal regulation, the District did not reconcile its Federal Direct Student Loans program’s cash receipts and disbursements records to the Common Origination and Disbursement (COD) system’s School Account Statement data file each month.

**Effect**—There is an increased risk that the District may not identify and resolve discrepancies between its cash receipts and disbursement records and the COD that would have been identified if it had conducted the required monthly reconciliations. Consequently, Federal Direct Loan servicers that rely on COD information may obligate students for a loan they did not receive or that was recorded at the wrong amount and may begin charging students interest on student financial assistance loans before the student’s 6-month interest grace period has ended.

**Cause**—The District did not have policies and procedures in place to ensure that its records were reconciled to the COD system on a monthly basis. Also, the District did not assign an employee who is independent of performing the COD system reconciliation to review the reconciliation for accuracy and timeliness.

**Criteria**—Federal regulation requires monthly reconciliations of the Federal Direct Student Loans program monies received to pay students to the actual disbursement records submitted to the COD system. (34 CFR §685.300[b][5]) Federal regulation also requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

**Recommendation**—The District should:

- Develop and implement policies and procedures to perform the required monthly reconciliation of Federal Direct Student Loans data reported on the COD system to the District’s records and investigate and resolve any discrepancies noted.
- Assign an employee who is independent of performing the COD system reconciliation to review the monthly reconciliations for accuracy and timeliness.

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

This finding is similar to prior-year finding 2018-104.

# DISTRICT SECTION

**PINAL 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>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF AGRICULTURE</b>								
HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	10.223				\$36,175	\$36,175	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<u>\$36,175</u>			
<b>DEPARTMENT OF JUSTICE</b>								
<i>SECOND CHANCE ACT REENTRY INITIATIVE</i>	16.812	ARIZONA DEPARTMENT OF CORRECTIONS	2016-RV-BX-0001		\$50,913	\$50,913	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>					<u>\$50,913</u>			
<b>DEPARTMENT OF LABOR</b>								
<i>WIOA YOUTH ACTIVITIES</i>	17.259	PINAL COUNTY	DI16-002115		\$721,034	\$721,034	WIOA CLUSTER	\$721,034
TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCT) GRANTS	17.282			\$139,021	\$231,158	\$231,158	N/A	\$0
<b>TOTAL DEPARTMENT OF LABOR</b>				<u>\$139,021</u>	<u>\$952,192</u>			
<b>NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>								
<i>EDUCATION</i>	43.008	UNIVERSITY OF ARIZONA	342518		\$18,881	\$18,881	N/A	\$0
<b>TOTAL NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>					<u>\$18,881</u>			
<b>NATIONAL SCIENCE FOUNDATION</b>								
<i>EDUCATION AND HUMAN RESOURCES</i>	47.076				\$46,162	\$56,221	N/A	\$0
<i>EDUCATION AND HUMAN RESOURCES</i>	47.076	ARIZONA STATE UNIVERSITY	DUE-1564909		\$9,560	\$56,221	N/A	\$0
<i>EDUCATION AND HUMAN RESOURCES</i>	47.076	SCIENCE FOUNDATION ARIZONA	DUE-1400687		\$499	\$56,221	N/A	\$0
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>					<u>\$56,221</u>			
<b>SMALL BUSINESS ADMINISTRATION</b>								
<i>SMALL BUSINESS DEVELOPMENT CENTERS</i>	59.037	MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT	9-603001-EZ-0025 8-603001-EZ-0027		\$95,797	\$95,797	N/A	\$0
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>					<u>\$95,797</u>			
<b>DEPARTMENT OF EDUCATION</b>								
<i>ADULT EDUCATION - BASIC GRANTS TO STATES</i>	84.002	ARIZONA DEPARTMENT OF EDUCATION	19FAEABE-912601-01A 19FAEIEL-912601-01A 19FAEAPL-912601-01A 19FAELET-912601-01A 19FAEWF-912601-01		\$441,847	\$441,847	N/A	\$0
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007				\$135,506	\$135,506	STUDENT FINANCIAL ASSISTANCE	\$12,181,789
HIGHER EDUCATION- INSTITUTIONAL AID	84.031				\$161,215	\$161,215	N/A	\$0
FEDERAL WORK-STUDY PROGRAM	84.033				\$165,834	\$165,834	STUDENT FINANCIAL ASSISTANCE	\$12,181,789
TRIO - STUDENT SUPPORT SERVICES	84.042				\$277,788	\$277,788	TRIO CLUSTER	\$577,660
TRIO UPWARD BOUND	84.047				\$299,872	\$299,872	TRIO CLUSTER	\$577,660
<i>CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES</i>	84.048	ARIZONA DEPARTMENT OF EDUCATION	18FCTDBG-812601-20A 19FCTDBG-912601-20A		\$102,040	\$102,040	N/A	\$0
FEDERAL PELL GRANT PROGRAM	84.063				\$9,194,440	\$9,194,440	STUDENT FINANCIAL ASSISTANCE	\$12,181,789
FEDERAL DIRECT STUDENT LOANS	84.268				\$2,686,009	\$2,686,009	STUDENT FINANCIAL ASSISTANCE	\$12,181,789
<i>GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS</i>	84.334	NORTHERN ARIZONA UNIVERSITY	1001848-25		\$240,637	\$240,637	N/A	\$0
CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335				\$27,546	\$27,546	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>					<u>\$13,732,734</u>			
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>					<u>\$139,021</u>	<u>\$14,942,913</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.

**PINAL 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 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 District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal 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



July 7, 2021

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,

A handwritten signature in black ink, appearing to read "Chris Wodka", written in a cursive style.

Chris Wodka

Vice President of Business Affairs

**Central Arizona College**  
District Offices

**Superstition Mountain Campus**  
805 S. Idaho Road  
Apache Junction, AZ 85119

**Aravaipa Campus**  
80440 E. Aravaipa Road  
Winkelman, AZ 85192

**Signal Peak Campus**  
8470 North Overfield Road  
Coolidge, AZ 85128-9030

**Maricopa Campus**  
17945 North Regent Drive  
Maricopa, AZ 85138-7808

**San Tan Campus**  
3736 E. Bella Vista Rd  
San Tan Valley, AZ 85143

1-800-237-9814  
[www.centralaz.edu](http://www.centralaz.edu)

**Pinal County Community College District**  
**(Central Arizona College)**  
**Corrective action plan**  
**Year ended June 30, 2019**

## **Financial statement findings**

### **2019-01**

**The District issued its Annual Financial Report late, resulting in untimely financial information for decision makers and the District losing its credit rating**

Name of contact person: Chris Wodka, Vice President of Business Affairs

Anticipated completion date: May 31, 2022

The District agrees with the finding. The District implemented a new finance system during the fiscal year for which vendor commitments were not met. The District compiled draft financial information to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2020 issued by December 31, 2021 and the audit for fiscal year ending June 30, 2021 issued by May 31, 2022.

### **2019-02**

**The District's initial financial statements contained significant misstatements and misclassifications, which increased the risk that those relying on the reported financial information could be misinformed**

Name of contact person: Chris Wodka, Vice President of Business Affairs

Anticipated completion date: December 31, 2021

The District agrees with the finding. The District implemented a new finance system during the fiscal year and had to create a new method of compiling financial information. Due to the untimeliness of the audit the District did not follow established procedures to ensure that accurate financial statements were prepared in accordance with GAAP and detailed supervisory reviews were not performed on all supporting schedules. The District was able to correct all misstatements by making changes to processes used to compile data and properly review data to ensure that the final audited financial statements were properly stated. The District will use these revised processes as well as complete the normal thorough review of all supporting schedules prior to providing information to the auditors for the audit of fiscal year ending June 30, 2020.

**Pinal County Community College District**  
**(Central Arizona College)**  
**Corrective action plan**  
**Year ended June 30, 2019**

**2019-03**

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

Name of contact person: Chris Wodka, Vice President of Business Affairs

Anticipated completion date: December 31, 2021

The District agrees with the finding. The District implemented some changes during the fiscal years ending June 30, 2019 and June 30, 2020. The District will continue to improve monitoring of its information technology resources on a regular basis. The District will assess and enhance its policies and procedures with respect to information technology resources. The District will also continue to improve its security over information technology resources, including documentation of procedures, as well as continue to enhance, and create new change management procedures, update written guidelines related to change management, expand risk and vendor management practices, and increase its incident and contingency planning.

**Federal award findings and questioned costs**

**2019-101**

Assistance Listings number and program name: Not applicable

Name of contact person: Chris Wodka, Vice President of Business Affairs

Anticipated completion date: May 31, 2022

The District agrees with the finding. As noted in finding 2019-01, the District implemented a new finance system during the fiscal year for which vendor commitments were not met. The District compiled draft financial information to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2020 issued by December 31, 2021 and the audit for fiscal year ending June 30, 2021 issued by May 31, 2022.

**Pinal County Community College District**  
**(Central Arizona College)**  
**Corrective action plan**  
**Year ended June 30, 2019**

**2019-102**

**Cluster name:** **Student Financial Assistance Cluster**  
**Assistance Listings 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: Chris Wodka, Vice President of Business Affairs  
Anticipated completion date: December 31, 2021

The District agrees with the finding. The District further strengthened procedures related to reporting enrollment status changes to ensure that the data is recorded in the student information system, accurately reported to NSLDS and that the District is in compliance with federal requirements.

**2019-103**

**Cluster name:** **Student Financial Assistance Cluster**  
**Assistance Listings 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: Chris Wodka, Vice President of Business Affairs  
Anticipated completion date: December 31, 2021

The District agrees with the finding. The District further strengthened procedures related to reporting disbursement data and student record origination data to ensure that data is accurately recorded in the student information system, accurately reported to Common Origination and Disbursement (COD) and that the District is in compliance with federal requirements.

**2019-104**

**Cluster name:** **Student Financial Assistance Cluster**  
**Assistance Listings 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: Chris Wodka, Vice President of Business Affairs  
Anticipated completion date: March 31, 2021

The District agrees with the finding. The District further strengthened procedures related to reconciling its Federal Student Loans program's cash receipts and disbursements records to the Common Origination and Disbursement (COD) system's School Account Statement data file each month in order to monitor any discrepancies in a timely manner and to ensure that the District is in compliance with federal requirements.



July 7, 2021

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,

A handwritten signature in black ink, appearing to read "Chris Wodka", is positioned below the word "Sincerely,".

Chris Wodka

Vice President of Business Affairs

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**Pinal County Community College District**  
**(Central Arizona College)**  
**Summary schedule of prior audit findings**  
**Year ended June 30, 2019**

**Status of financial statement findings**

**2018-01**

The District issued its Annual Financial Report 11 months late  
Year finding initially occurred: FY 2018  
Status: Status: Not corrected

The District implemented a new finance system during the fiscal year for which vendor commitments were not met. The District compiled draft financial information to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2020 issued by December 31, 2021 and the audit for fiscal year ending June 30, 2021 issued by May 31, 2022.

**2018-02**

Information technology (IT) controls-access, and security  
Year finding initially occurred: FY 2017  
Status: Partially corrected

**Access**

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Review all other account access to ensure it remains appropriate and necessary.

**Security**

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.

Effective during the fiscal year ending June 30, 2019 the District strengthened policies and procedures to identify, analyze, and respond to risks that may impact its IT resources and the District implemented a district-wide risk-assessment process. During fiscal year ending June 30, 2020 the District began conducting ERP risk assessments to further improve in this area.

- Improve the information security plan to protect the integrity of the financial reporting systems and data.

Effective during the fiscal year ending June 30, 2019 the District strengthened policies and procedures with respect to information technology resources in order to prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources. The District continued to strengthen policies and procedures with respect to information technology resources into fiscal year ending June 30, 2020.

- Develop, document, and follow a process for awarding and subsequent monitoring of IT vendor contracts.

# Pinal County Community College District

## (Central Arizona College)

### Summary schedule of prior audit findings

#### Year ended June 30, 2019

Effective during the fiscal year ending June 30, 2019 the District reviewed its policies and procedures related to IT vendor management. The District identified a singular instance of noncompliance and resolved it during fiscal year ending June 30, 2020.

## Status of federal award findings and questioned costs

### 2018-101

#### Assistance Listings numbers and names:

Not applicable

Year finding initially occurred: FY 2018

Status: Not corrected

The District implemented a new finance system during the fiscal year for which vendor commitments were not met. The District compiled draft financial information to its governing board and other financial statement users. The District will continue to provide draft financial information to financial statement users until all audits are up to date. Finance staff continues to work diligently to establish new processes that will ensure that accurate and timely financial information is provided to the District's financial statement users. The District's plan is to have the audit for the fiscal year ending June 30, 2020 issued by December 31, 2021 and the audit for fiscal year ending June 30, 2021 issued by May 31, 2022.

### 2018-102

#### Cluster name:

#### Student Financial Assistance Cluster

#### Assistance Listings 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**

Year finding initially occurred: FY 2018

Status: Not corrected

The District uses the student information system's Financial Aid Automation solution to report federal Pell Grant and Direct Loan disbursements to the COD system. These jobs run daily with response files received daily. During the 2018-2019 financial aid award year, the District relied on the "school status" of student records. When the status changed to "Withdrawn", a trigger was set to notify the Financial Aid department of the change and the District would then perform a review for award recalculation. The trigger process was not occurring consistently during this award year. During the fiscal year ending June 30, 2019, the process changed to use a student system report to identify award recipients that would need a review for award recalculation. In addition, the student system was allowing multiple awards for students with enrollments in multiple academic programs. Auditors discovered this issue during their audit procedures and the District has since created procedures that will catch these errors. Beginning in March of 2020, the District began an increased diligence in checking awards and reviewing student records daily.

**Pinal County Community College District**  
**(Central Arizona College)**  
**Summary schedule of prior audit findings**  
**Year ended June 30, 2019**

**2018-103**

<b>Cluster name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listings numbers and names:</b>	84.007 <b>Federal Supplemental Educational Opportunity Grants</b> 84.033 <b>Federal Work-Study Program</b> 84.063 <b>Federal Pell Grant Program</b> 84.268 <b>Federal Direct Student Loans</b>

Year finding initially occurred: FY 2016  
Status: Not corrected

As of June 30, 2019, the District was not consistently transmitting files pertaining to student enrollment within an adequate time period to ensure that the District was in compliance with the requirements of 34 CFR §685.309(b) and §690.83(b)(2). The District's procedures did not ensure that data transmitted was consistently accurate. Beginning November of 2017, the District implemented a new enterprise resource system module for student information and the District's new procedures did not ensure that data transmitted was consistently accurate and timely. As a result of the finding, the District began strengthening procedures related to reporting of student enrollment status changes and verification of accuracy and monitoring of the information reported to the NSLDS; however, as the District was delayed in issuing their FY 2018 single audit, the deficiency continued into the reporting for FY 2019. In an effort to address the deficiencies in reporting to NSLDS, the District has increased its focus on enrollment reporting. The District has worked with our Student Information System (SIS) vendor, Campus Management, to understand how to use their software to successfully report enrollment to the National Student Clearinghouse. This has led to changes being implemented in internal processes, to more effectively make use of the software. These changes include both the timing of preparing the files and the process used to create the files. These changes were implemented in October of 2019. In December of 2019 the District was able to implement procedures to ensure timely and accurate reporting. The District will continue to monitor procedures to ensure continued compliance.

**2018-104**

<b>Cluster name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listings numbers and names:</b>	84.007 <b>Federal Supplemental Educational Opportunity Grants</b> 84.033 <b>Federal Work-Study Program</b> 84.063 <b>Federal Pell Grant Program</b> 84.268 <b>Federal Direct Student Loans</b>

Year finding initially occurred: FY 2018  
Status: Not corrected

Reconciliation of Federal Direct Student Loans program's cash receipts and disbursements records did occur for the 2018-2019 award year, which allowed for monthly drawdown of funds through the G5 system and the ability to successfully closeout the award year. However, the reconciliation was not compared to the Common Origination and Disbursement (COD) system's School Account Statement data file each month. Enhancements to reconciliation procedures is ongoing and we continue to streamline as we learn more about the process through the District's student system. The District did import the School Account

**Pinal County Community College District**  
**(Central Arizona College)**  
**Summary schedule of prior audit findings**  
**Year ended June 30, 2019**

Statements into our student system for the 2018-2019 award year, although, the District did not have adequate documentation in order to meet the requirements. The District has since created a process that ensure compliance. The District financial aid and finance departments continue to work together to improve a collective process to ensure that an effective reconciliation is performed and reviewed in a timely manner.

**2018-105**

**Cluster name:**

**TRIO Cluster**

<b>Assistance Listings numbers</b>	84.042	<b>TRIO—Student Support Services</b>
<b>and names:</b>	84.047	<b>TRIO Upward Bound</b>

Year finding initially occurred: FY 2018

Status: Fully corrected

