

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT**  
**SINGLE AUDIT COMPLIANCE REPORTS**  
**YEAR ENDED JUNE 30, 2008**

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Auditor General of the State of Arizona  
and Governing Board of  
Yavapai County Community College District  
Prescott, Arizona

We have audited the financial statements of the business-type activities and discretely presented component unit of Yavapai County Community College District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Yavapai College Foundation, Inc. (the Foundation), the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Yavapai County Community College District's 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*.

We noted certain other matters that we reported to management of Yavapai County Community College District in a separate letter dated December 1, 2008.

This report is intended for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, management and 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.



LarsonAllen LLP

Mesa, Arizona  
December 1, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Auditor General of the State of Arizona  
and Governing Board of  
Yavapai County Community College District  
Prescott, Arizona

## **COMPLIANCE**

We have audited the compliance of Yavapai County Community College District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Yavapai County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-1 through 08-5.

### **INTERNAL CONTROL OVER COMPLIANCE**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-1 through 08-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the business-type activities and the discretely presented component unit of Yavapai County Community College District as of and the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. Our report was modified to include a reference to other auditors. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yavapai County Community College District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Yavapai County Community College District's responses and, accordingly, we express no opinion on them.

Auditor General of the State of Arizona  
and Governing Board of  
Yavapai County Community College District

This report is intended for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, management and 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.

A handwritten signature in black ink that reads "LarsonAllen LLP". The signature is written in a cursive, flowing style.

**LarsonAllen LLP**

Mesa, Arizona  
December 1, 2008

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**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>Department of Agriculture</b>			
Child and Adult Care Food Program	10.558		<u>\$ 13,893</u>
<b>U.S. Department of Labor</b>			
Community Based Job Training Grants	17.269		<u>226,994</u>
<b>U.S. Small Business Administration</b>			
Passed through the Maricopa County Community College District			
Small Business Development Center	59.037	0-7620-0003-08	<u>102,002</u>
<b>U.S. Department of Education</b>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		75,750
Federal Family Education Loans	84.032		2,122,703
Federal Work-Study Program	84.033		92,702
Federal Perkins Loan Program-Federal Capital Contributions	84.038		414,616
Federal Pell Grant Program	84.063		2,932,671
Academic Competitiveness Grant	84.375		<u>32,800</u>
Total Student Financial Assistance Cluster			<u>5,671,242</u>
TRIO Cluster			
TRIO-Student Support Services	84.042		387,004
TRIO-Talent Search	84.044		284,360
TRIO-Upward Bound	84.047		<u>221,746</u>
Total TRIO Cluster			<u>893,110</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	36,440
Special Leveraging Educational Assistance Partnership	84.069B	None	8,759
Passed through the Arizona Department of Education			
Adult Education-State Grant Program	84.002	08FAEAABE-670620-01A	304,974
Vocational Education-Basic Grants to States	84.048	None	<u>153,018</u>
Total U.S. Department of Education			<u>503,191</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5402501	<u>145,286</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 7,555,718</u></u>

See accompanying Independent Auditors' Report and Note to Schedule of Expenditures of Federal Awards

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**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

**NOTE 1 BASIS OF PRESENTATION**

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Yavapai County Community College District that have been financed by the United States Government.

The Schedule 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*.

**NOTE 2 LOANS OUTSTANDING**

The expenditures reported on the Schedule of Expenditures of Federal Awards for certain programs include loan balances outstanding at June 30, 2008 for the Federal Perkins Loan Program CFDA 84.038 of \$388,340. New loans of \$41,683 were awarded to students during the year ended June 30, 2008.

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**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Yavapai County Community College District.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements of Yavapai County Community College District.
3. No instances of material noncompliance were identified during the audit of the financial statements of Yavapai County Community College District.
4. Five significant deficiencies were identified during the audit of the major federal award programs of Yavapai County Community College District which were not determined to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for Yavapai County Community College District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Yavapai County Community College District are reported in Part C of this schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA No.</u>
Student Financial Assistance Program cluster Passed through the Arizona Department of Education Adult Education – State Grant Program	Various  84.002

8. The threshold for distinguishing type A and B programs was \$300,000.
9. Yavapai County Community College District was not determined to be a low-risk auditee.

**B. FINANCIAL STATEMENT FINDINGS**

**Current Year:**

None

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

**B FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Prior Year Findings:**

**07-2:**

CFDA Number: 17.269, Community Based Job Training Grants

Grantor: U.S. Department of Labor

Award Period: 7/1/06 through 6/30/07

Award Number: DFA PY 05-11

Questioned Costs: Unknown

District policy and state and federal guidelines require procurement procedures that help ensure full and open competition. During fiscal year 2007, the District entered into a consulting services contract for its federally funded Community Based Job Training Grants program totaling \$100,000 over a three year period without obtaining competitive bids. This purchase was one of seven selected for testing of District bidding procedures. A total of \$16,667 was paid to this vendor during fiscal year 2007. This finding is a material weakness in internal controls and material noncompliance with the program's procurement requirements.

The District's procurement policies should be followed and compliance with these requirements should be monitored by designated management level employees.

**Status:**

No procurement issues noted during the current year testing.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Current Year Findings:**

**08-1:**

**CFDA Number, Title and Award Number:**

84.032 – Federal Family Education Loans  
84.063 – Federal Pell Grant Program – P063P071069

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2007 to June 30, 2008

**Condition:**

During our testing, we noted that refund calculations tested did not exclude scheduled breaks of five or more consecutive days. In our sample of ten students, this caused the College to return an excess of \$5 of Stafford Unsubsidized Loans and an additional \$7 of Pell funds needs to be returned by the College.

**Criteria:**

Refund calculations should exclude scheduled breaks of five or more consecutive days.

**Questioned Costs:**

\$7

**Possible Asserted Effect:**

Refund calculations are not being done properly, and the College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College implement procedures to assure all refunds are calculated in the proper amounts.

**Management Response:**

Yavapai College had misinterpreted the regulation regarding scheduled breaks of five or more days as working days rather than consecutive days. The College also observes Veterans Day on the day before Thanksgiving and Presidents Day during Spring break which contributed to the confusion. Financial Aid has already updated their procedures for the current term and will continue to incorporate the Thanksgiving break during the Fall semester and Spring break during the Spring semester as required by Department of Education policy.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

**08-2:**

**CFDA Number, Title and Award Number:**

84.032 – Federal Family Education Loans

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2007 to June 30, 2008

**Condition:**

During student file testing, we noted one student's PLUS funds were not disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

**Criteria:**

If there is only one term in the loan period, the loan must be disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Student did not receive funds in equal amounts at the beginning of the term and at the term's calendar midpoint.

**Auditors' Recommendation:**

We recommend monitoring this closely so these funds are distributed evenly throughout the loan period.

**Management Response:**

An error did occur with the timing of the disbursement for the student tested. The College does very few PLUS loans and to make certain this error was not widespread, Financial Aid reviewed the PLUS applications over the past three years and concluded this was an isolated case

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

08-3:

**CFDA Number, Title and Award Number:**

84.038 – Federal Perkins Loan Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2007 to June 30, 2008

**Condition:**

During our testing, we noted that Affiliated Computer Services Inc. (ACS) who provides various services to the College related to Perkins loans, including due diligence requirements, did not maintain the 15 and 45 day past due letters documentation for the 10 students tested.

**Criteria:**

The Department of Education requires this documentation to be maintained.

**Questioned Costs:**

None

**Possible Asserted Effect:**

The College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College review its procedures in submittal of accounts to ACS and monitor the due diligence being performed by ACS to ensure due diligence requirements are being met.

**Management Response:**

The College terminated its contract with ACS as of June 30, 2008, and entered into a new contract with another third-party servicer effective July 1, 2008. The College will monitor the due diligence being performed by the new third-party servicer.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

08-4:

**CFDA Number, Title and Award Number:**

84.038 – Federal Perkins Loan Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2007 to June 30, 2008

**Condition:**

The school terminated its contract with its third-party servicer and entered into a new contract with a new third-party servicer and failed to notify the Department of Education within ten days of the change.

**Criteria:**

Under Federal regulations, schools are required to notify the Department of Education if the school enters into a new contract with a third-party servicer; the school significantly modifies a contract with an existing third-party servicer; the school or one of its third-party servicers terminates a contract, or a third-party ceases to provide contracted services, goes out of business, or files bankruptcy. Notification must be made within ten days of the date of the change or action.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Schools can be prevented from offering new types of Federal aid or disbursing Federal funds from a new location if all relevant information, including third-party servicer information, is not kept current with the Department of Education.

**Recommendation:**

We recommend the College establish procedures to ensure all future changes with third-party servicers are communicated with the Department of Education within tens days of the change.

**Management Response:**

The College incorrectly thought that the NSLDS Sign-Up form, jointly completed by the new third-party servicer and the College, would provide notification to the Department of Education of a new third-party service provider. As a result of the audit, the College learned that the completion of this form was not adequate notification. As of the end of November 2008, the proper notification to the Department of Education and acceptance was completed.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)

**08-5:**

**CFDA Number, Title and Award Number:**

84.038 – Federal Perkins Loan Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2007 to June 30, 2008

**Condition:**

Yavapai County Community College District utilizes Affiliated Computer Services, Inc. Education Services ("ACS") as its institutional servicer to perform billing, collection and due diligence compliance requirements related to the Perkins loan program. The ACS Audits of Federal Student Financial Assistance Programs Report for the year ended June 30, 2008, included two findings together with ACS management's responses related to post deferment grace period processing and proper application of loan payments. The errors were caused by manual processing errors made by ACS staff.

**Criteria:**

Under Federal regulations, schools are permitted to contract with consultants for assistance in administering the FSA programs. However, the school ultimately is responsible for the use of FSA funds and will be held accountable if the consultant mismanages the programs for program funds.

**Questioned Costs:**

None

**Possible Asserted Effect:**

The College is not in compliance with the Department of Education requirements.

**Recommendation:**

We recommend the College establish procedures to ensure all transactions completed by third-party servicers are within the Department of Education requirements.

**Management Response:**

The College terminated its contract with ACS as of June 30, 2008, and entered into a new contract with another third-party servicer effective July 1, 2008. The College will monitor the account activity processing being performed by the new third-party servicer.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Prior Year Findings:**

**07-1:**

District policy and state and federal guidelines require procurement procedures that help ensure full and open competition. During fiscal year 2007, the District entered into a consulting services contract for its federally funded Community Based Job Training Grants program totaling \$100,000 over a three year period without obtaining competitive bids. This purchase was one of seven selected for testing of District bidding procedures. A total of \$16,667 was paid to this vendor during fiscal year 2007.

The District's procurement policies should be followed and compliance with these requirements should be monitored by designated management level employees.

**Status:**

The College has fully corrected the issue by implementing procedures to ensure the procurement procedures are properly applied.