

**Yavapai County Community College District
(Yavapai College)**

Single Audit Reporting Package

June 30, 2002

**Yavapai County Community College District
(Yavapai College)
Single Audit Reporting Package
June 30, 2002**

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Comprehensive Annual Financial Report

Issued separately

Single Audit Section

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**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Auditor General of the State of Arizona

The Governing Board of
Yavapai County Community College District

We have audited the financial statements of Yavapai County Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002, which was modified due to the District implementing a new financial reporting model as required by the provisions of GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of

management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item **02-1**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Miller, Allen & Co., P.C.

October 4, 2002

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

The Auditor General of the State of Arizona

The Governing Board of
Yavapai County Community College District

Compliance

We have audited the compliance of Yavapai County Community College District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2002.

Internal Control over Compliance

The District's management 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item **02-2**.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the District's financial statements as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002, which was modified due to the District implementing a new financial reporting model as required by the provisions of GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities. It 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.



October 4, 2002

**Yavapai County Community College District
(Yavapai College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Commerce			
Grants for Public Works and Economic Development Facilities	11.300		\$ 58,276
U.S. Department of Justice			
Public Safety Partnership and Community Policing Grants	16.710		62,169
Passed through the Arizona Governor's Community Policy Office Part E – State Challenge Activities	16.549	AD000299-002	63,390
Total U.S. Department of Justice			<u>125,559</u>
U.S. Department of Labor			
Passed through the Arizona Department of Commerce Employment Services and Job Training Pilots -- Demonstrations and Research	17.249	A90023-010	99,454
National Science Foundation			
Education and Human Resources	47.076		<u>102,630</u>
U.S. Small Business Administration			
Passed through the Maricopa County Community College District Small Business Development Center	59.037	0-7620-0003-08	<u>83,484</u>
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		79,547
Federal Family Education Loans	84.032		845,338
Federal Work-Study Program	84.033		113,879
Federal Perkins Loan Program - Federal Capital Contributions	84.038		501,995
Federal Pell Grant Program	84.063		2,139,288
TRIO Cluster			
TRIO – Student Support Services	84.042		410,813
TRIO – Talent Search	84.044		241,112
TRIO – Upward Bound	84.047		208,778
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	34,068
Passed through the Arizona Department of Education Adult Education – State Grant Program	84.002	02FAEABE-170620-01A	95,000
Passed through the State Board of Directors for Community Colleges			
Vocational Education – Basic Grants to States	84.048	30109	107,868
Passed through the Prescott Unified School District Even Start - State Educational Agencies	84.213	02FAEEVS-270036-13A	20,189
Total U.S. Department of Education			<u>4,797,875</u>
U.S. Department of Health and Human Services			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		111,052
Passed through the University of Texas Medical Branch at Galveston			
Microbiology and Infectious Disease Research	93.858	AI41435-04	22,110
Passed through the Arizona Department of Economic Security Child Care and Development Block Grant	93.575	E5400307	72,459
Total U.S. Department of Health and Human Services			<u>205,621</u>
Total Expenditures of Federal Awards			<u>\$5,472,899</u>

See accompanying notes to schedule.

**Yavapai County Community College District
(Yavapai College)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yavapai County Community College District and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2002 *Catalog of Federal Domestic Assistance*.

Note 3 - Loans Outstanding

The expenditures reported on the schedule of expenditures of federal awards for the Federal Perkins Loan Program – Federal Capital Contributions (CFDA number 84.038) included loan balances outstanding at June 30, 2002, of \$487,259.

**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002**

Summary of Auditor's Results

Financial Statements

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

Federal Awards

Material weaknesses identified in internal control over major programs?	___		<u>X</u>
Reportable condition identified not considered to be a material weakness?	<u>X</u>		___
Type of auditor's report issued on compliance for major programs:			Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>		___

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program – Federal Capital Contributions
84.063	Federal Pell Grant Program
TRIO Cluster	
84.042	TRIO – Student Support Services
84.044	TRIO – Talent Search
84.047	TRIO – Upward Bound

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

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>		___
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**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002**

Financial Statement Findings

Item: 02 - 1

Subject: Segregation of Duties

Condition: The same individuals who are responsible for processing payroll and generating paychecks are also authorized to update employee information within the payroll system, including creation of a new employee and pay rate/salary changes.

Recommendation: To help prevent the misappropriation of assets, controls should be implemented that requires someone independent of payroll processing, such as the human resource department, to update employee information within the computer system.

**Yavapai County Community College District
(Yavapai College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002**

Federal Award Findings and Questioned Costs

Item: 02 - 2

CFDA Numbers: 84.033; 84.042; 84.044; and 84.047

Programs: Federal Work-Study Program; TRIO Cluster – Student Support Services; Talent Search; and Upward Bound

Agency: U.S. Department of Education

Award Year: July 1, 2001 to June 30, 2002

Questioned Costs: N/A

Condition: The same individuals who are responsible for processing payroll and generating paychecks are also authorized to update employee information within the payroll system, including creation of a new employee and pay rate/salary changes.

Recommendation: To help prevent the misappropriation of assets, controls should be implemented that requires someone independent of payroll processing, such as the human resource department, to update employee information within the computer system.

District Responses

**Yavapai County Community College District
(Yavapai College)
Corrective Action Plan
Year Ended June 30, 2002**

Financial Statement Findings

Item: 02 – 1

Subject: Segregation of Duties

Name of Contact Person: Bob Lynch

Anticipated Completion Date: January 31, 2003

Corrective Action: The District is in the process of implementing a new integrated software program, PeopleSoft. On July 1, 2000, the payroll portion of PeopleSoft was successfully completed. The implementation team has recently completed the installation of the human resources portion of PeopleSoft. The hiring process and all pay rate/salary changes will be processed by the Human Resources Department. The payroll staff will not have programmatic access to the “create new employees” or “pay rate/salary change” screens. This procedure will be implemented no later than January 31, 2003.

Federal Award Findings and Questioned Costs

Item: 02 – 2

CFDA Numbers: 84.033; 84.042; 84.044; and 84.047

Program: Federal Work-Study Program; TRIO Cluster – Student Support Services; Talent Search; and Upward Bound

Name of Contact Person: Bob Lynch

Anticipated Completion Date: January 31, 2003

Corrective Action: The District is in the process of implementing a new integrated software program, PeopleSoft. On July 1, 2000, the payroll portion of PeopleSoft was successfully completed. The implementation team has recently completed the installation of the human resources portion of PeopleSoft. The hiring process and all pay rate/salary changes will be processed by the Human Resources Department. The payroll staff will not have programmatic access to the “create new employees” or “pay rate/salary change” screens. This procedure will be implemented no later than January 31, 2003.

**Yavapai County Community College District
(Yavapai College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002**

Status of Federal Award Findings and Questioned Costs

CFDA Number: 84.032

Program: Federal Family Education Loans

Finding Number: 01-2

Status: Corrected

CFDA Number: 84.033

Program: Federal Work-Study Program

Finding Number: 01-3

Status: Corrected

CFDA Numbers: 84.033; 84.042; 84.044; and 84.047

Programs: Federal Work-Study Program; TRIO Cluster – Student Support Services; Talent Search; and Upward Bound

Finding Number: 01-4

Status: Not Corrected

Corrective Action: The District is in the process of implementing a new integrated software program, PeopleSoft. On July 1, 2000, the payroll portion of PeopleSoft was successfully completed. The implementation team has recently completed the installation of the human resources portion of PeopleSoft. The hiring process and all pay rate/salary changes will be processed by the Human Resources Department. The payroll staff will not have programmatic access to the “create new employees” or “pay rate/salary change” screens. This procedure will be implemented no later than January 31, 2003.