
Coconino County Community College District

*Independent Auditor's Report
and
Single Audit Reporting Package
June 30, 2014*

Coconino County Community College District

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Independent Auditor's 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*

The Auditor General of the State of Arizona
The Governing Board of
Coconino County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District (the "District") as of and for the year ended June 30, 2014 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Coconino Community College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of the Coconino Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance associated with Coconino Community College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

REDW LLC

Phoenix, Arizona
November 18, 2014

Independent Auditor's Report on Compliance for
Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133

The Auditor General of the State of Arizona
The Governing Board of
Coconino County Community College District

Report on Compliance for Each Major Federal Program

We have audited Coconino County Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Coconino County Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is presented in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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 requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is presented in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated November 18, 2014, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "REDW LLC". The letters are written in a cursive, slightly slanted style.

Phoenix, Arizona
November 18, 2014

Coconino County Community College District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| Funding Source/Grant/Contract Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|--|---------------------|
| U.S. Department of Labor | | | |
| Employment Training Administration: | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | | \$ 688,621 |
| Total U.S. Department of Labor | | | <u>688,621</u> |
| U.S. Small Business Administration | | | |
| Small Business Development Centers, passed through the Maricopa County Community College District | | | |
| | 59.037 | 3-603001-Z-0003C | 43,668 |
| | | 0-603001-Z-0003-18 | 46,592 |
| | | 1-603001-Z-0104 | 13,788 |
| Total U.S. Small Business Administration | | | <u>104,048</u> |
| U.S. Department of Education | | | |
| Office of Vocational and Adult Education: | | | |
| Adult Education – Basic Grants to States, passed through the Arizona Department of Education | | | |
| | 84.002 | 13FAEABE-370545-02A | 89,699 |
| | | 13FAEAEF-370545-03A | 26,563 |
| | | 13FAEADL-370545-04A | 11,791 |
| | | 14FAECCR-470545-05A | 13,247 |
| | | | <u>141,300</u> |
| Career and Technical Education – Basic Grants to States, passed through the Arizona Department of Education | | | |
| | 84.048 | 14FCTDBG-470545-08A | 146,073 |
| | | 13FCTDBG-370545-01A | 40,963 |
| | | 13FSEEP3-370545-07A | 9,017 |
| | | 14FCTPSG-470545-02A | 11,823 |
| | | | <u>207,876</u> |
| Career and Technical Education – National Programs, passed through the Arizona Department of Education | | | |
| | 84.051 | 14FCTRPS-470545-84A | 11,058 |
| Office of Student Financial Assistance Programs: | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 153,487 |
| Federal Work-Study Program | 84.033 | | 93,984 |
| Federal Pell Grant Program | 84.063 | | 4,011,180 |
| Federal Direct Student Loans | 84.268 | | 3,617,486 |
| Total Student Financial Assistance Cluster | | | <u>7,876,137</u> |
| Office of Postsecondary Education: | | | |
| TRIO Cluster: | | | |
| TRIO--Student Support Services | 84.042 | | 224,006 |
| Total TRIO Cluster | | | <u>224,006</u> |
| Total U.S. Department of Education | | | <u>8,460,377</u> |
| U.S. Department of Health and Human Services | | | |
| National Institute of Health: | | | |
| Biomedical Research and Research Training, passed through Northern Arizona University | | | |
| | 93.859 | Subaward 1001966-02 Prime # 1R25GM102788-01 | 21,835 |
| Total U.S. Department of Health and Human Services | | | <u>21,835</u> |
| Total expenditures of federal awards | | | <u>\$ 9,274,881</u> |

See accompanying notes to the schedule of expenditures of federal awards.

Coconino County Community College District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

1) Basis of Presentation

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

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 2014 *Catalog of Federal Domestic Assistance*.

Coconino County Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I — Summary of Auditor’s Results

Financial Statements

| | |
|---|---------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: Material weaknesses identified? | No |
| Significant deficiencies identified? | None Reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: Material weaknesses identified? | No |
| Significant deficiencies identified? | Yes |
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |

Coconino County Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I — Summary of Auditor’s Results — continued

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------------------|--|
| 17.282 | Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants |
| Student Financial Assistance Cluster: | |
| 84.007 | Federal Supplemental Educational Opportunity Grants |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| TRIO Cluster: | |
| 84.042 | TRIO—Student Support Services |

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

Auditee qualified as low-risk auditee? Yes

Other Matters

Auditee’s Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? No

Coconino County Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II — Financial Statement Findings

No matters were reported.

Coconino County Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section III — Federal Award Findings and Questioned Costs

2014-001 — Eligibility

Federal program information:

| | |
|------------------------|--|
| Funding agency: | Department of Education |
| Title: | TRIO Cluster: TRIO—Student Support Services |
| CFDA number: | 84.042 |
| Award year and number: | 9/1/2013-8/31/2014; P042A101282-13 |

Questioned Costs: N/A

Criteria: Student files should contain proper documentation of the assessment of all eligibility requirements. Further, grant provisions dictate that only Federal Pell Grant recipients are eligible to receive grant aid, and in only exceptional cases can a student receive grant aid if they are at the educational institute for more than two years.

Condition: For one of fifteen students selected for testing, the program enrollment application was not signed by program management. In addition, for three of thirteen applicable students tested, the student received grant aid but was not receiving a Federal Pell Grant. Further, one of these three students had been enrolled at the College for more than two years.

Cause: The program currently requires students to apply only once, rather than having students reapply on a more frequent basis to update the information provided on the application to verify they are still receiving a Federal Pell Grant.

Effect: Students previously qualifying for grant aid may no longer qualify if they are no longer receiving a Federal Pell Grant. Providing grant aid to ineligible students could result in a lack of funding from the federal government.

Auditor's Recommendations: Applications should be resubmitted and eligibility requirements verified and attested to on a more frequent basis.

Coconino County Community College District
Corrective Action Plan
For the Year Ended June 30, 2014

| Audit Finding | Corrective Action Plan | Person Responsible | Estimated Completion Date |
|------------------------|---|--|---------------------------|
| 2014-001 — Eligibility | <p>The management of Coconino Community College agrees with the finding and has modified our processes. We are incorporating the auditor’s recommendations and are verifying receipt of Federal Pell annually before any TRIO Student Support Services financial aid is awarded. A list of prospective TRIO Grant awardees will be sent to the Director of Financial Aid. The Director of Financial Aid will then verify that the prospective awardees are receiving a Pell Grant for the current year. We are also verifying the length of enrollment at the College does not exceed two years before TRIO Student Support Services financial aid is awarded. The College entry date of each prospective awardee will be verified by the Director of the TRIO – SSS program. When a prospective awardee has been verified that they meet both of the aforementioned criteria, the award will be granted.</p> | John Henneberg, TRIO Project Coordinator | October 27, 2014 |