



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

**Maricopa County
Community College District**
June 30, 2002



Debra K. Davenport
Auditor General

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Maricopa County Community College District
Single Audit Reporting Package
June 30, 2002

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

We have audited the basic financial statements of Maricopa County Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 35. 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 basic 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 basic 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*. We also noted certain immaterial instances of noncompliance that we will report to the District's management in a separate letter.

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 basic financial statements and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. 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 basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-01 and 02-02.

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 basic 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 none of the reportable conditions described above is a material weakness. We also noted certain matters involving internal control over financial reporting that we will report to the District's management in a separate letter.

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

Dennis L. Mattheisen, CPA
Financial Audit Director

January 17, 2003



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

Compliance

We have audited the compliance of Maricopa 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 Auditors' 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, Maricopa 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.

Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be material weaknesses. 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 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. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the District's basic financial statements as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 35. Our audit was made for the purpose of forming an opinion on the basic 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 basic 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 basic 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 Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

March 12, 2003, except for the
schedule of expenditures of federal awards,
for which the date is January 17, 2003

Maricopa County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
U.S. Agency for International Development					
Passed through the Association Liaison Office for University Cooperation in Development					
Microenterprise and Health Care Initiatives	02.unknown	HNE-A-00-97-00059-00	\$ 8,835	\$ 40,744	\$ 49,579
U.S. Department of Agriculture					
Passed through the Arizona Department of Education					
Special Milk Program for Children	10.556	KR98-0413/14	17		17
Child and Adult Care Food Program	10.558	07-24-18, 07-24-27, 07-22-03	13,666		13,666
Total U.S. Department of Agriculture			<u>13,683</u>		<u>13,683</u>
U.S. Department of Housing and Urban Development					
Direct Grants					
Community Development Block Grants/Economic Development Initiative	14.246		43,236		43,236
Passed through the City of Mesa					
Community Development Block Grants/Entitlement Grants	14.218	8250	6,383		6,383
Passed through Maricopa County					
Community Development Block Grants/Entitlement Grants	14.218	DG0004	14,655		14,655
Total U.S. Department of Housing and Urban Development			<u>64,274</u>		<u>64,274</u>
U.S. Department of Justice					
Passed through the Governor's Office of Community and Family Programs					
Violence Against Women Formula Grants	16.588	A0-0025-003, AD010270-007	98,879		98,879
U.S. Department of Labor					
Passed through the American Association of Community Colleges					
Employment Services and Job Training Pilots—Demonstrations and Research	17.249	X-7046-8-00-80-60	6,700		6,700
U.S. Department of State					
Passed through Arizona State University					
College and University Affiliations Program	19.406	ASKS-1162	26,432		26,432
Library of Congress					
Passed through Education and Research Consortium					
American Mind	42.unknown	00G-LIB-ND001	67,194		67,194
National Aeronautics and Space Administration					
Passed through Tuskegee University					
Aerospace Education Services Program	43.001	30 12090 072	9,431		9,431
National Foundation on the Arts and the Humanities					
Passed through San Diego Mesa Community College					
Faces of America	45.unknown	None	4,350		4,350
National Science Foundation					
Direct grants					
Education and Human Resources	47.076		849,711	12,460	862,171
Passed through the American Association of Community Colleges					
Education and Human Resources	47.076	DUE-0087049	2,765		2,765
Passed through the Arizona Board of Regents					
Education and Human Resources	47.076	ESR-0135526	8,815		8,815
Passed through Arizona State University					
Education and Human Resources	47.076	01-035	59,773		59,773

(Continued)

See accompanying notes to schedule.

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

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
National Science Foundation (Concl'd)					
Passed through the Northeast Center for Telecommunications Technologies					
Education and Human Resources	47.076	None	\$ 2,639		\$ 2,639
Passed through the University of Arizona					
Education and Human Resources	47.076	Y541198	129,448	\$ 41,628	171,076
Passed through the University of New Mexico					
Education and Human Resources	47.076	DUE-0101311	18,833		18,833
Total National Science Foundation			<u>1,071,984</u>	<u>54,088</u>	<u>1,126,072</u>
U.S. Small Business Administration					
Direct grants					
Small Business Development Center	59.037		559,445	689,747	1,249,192
U.S. Department of Education					
Direct grants					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		1,620,260		1,620,260
Federal Family Education Loans	84.032		28,262,449		28,262,449
Federal Work-Study Program	84.033		1,984,457		1,984,457
Federal Perkins Loan Program—Federal Capital Contributions	84.038		1,620,349		1,620,349
Federal Pell Grant Program	84.063		32,099,836		32,099,836
Federal Direct Student Loans	84.268		4,537,984		4,537,984
Total Student Financial Assistance Cluster			<u>70,125,335</u>		<u>70,125,335</u>
Higher Education—Institutional Aid					
TRIO Cluster	84.031		876,128		876,128
TRIO—Student Support Services					
TRIO—Upward Bound	84.042		379,675		379,675
	84.047		285,198		285,198
Total TRIO Cluster			<u>664,873</u>		<u>664,873</u>
Fund for the Improvement of Postsecondary Education					
Business and International Education Projects	84.116		25,248		25,248
	84.153		80,912		80,912
Total direct grants			<u>71,772,496</u>		<u>71,772,496</u>
Passed through the Arizona Board of Regents					
Leveraging Educational Assistance Partnership	84.069	None	198,288		198,288
Eisenhower Professional Development State Grants	84.281	99-0000-02, 992000-03	56,460		56,460
Total passed through the Arizona Board of Regents			<u>254,748</u>		<u>254,748</u>
Passed through the Arizona Department of Education					
Adult Education—State Grant Program	84.002	02FAEABE-270579-01A, 01-FAEABE-170579-02A, 02-FAECIV-270579-03A	1,619,409		1,619,409
Tech-Prep Education	84.243	02-FVEDTP-270576-01A, 01-FVEDTP-170576-01A	229,199	917	230,116
Total passed through the Arizona Department of Education			<u>1,848,608</u>	<u>917</u>	<u>1,849,525</u>
Passed through Arizona State University					
Special Education—Grants to States	84.027	01-03-ED	38,295		38,295
Bilingual Education—Professional Development	84.195	T195E000022	46,077		46,077
Special Education—Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	H325H000087	89,662		89,662
Teacher Quality Enhancement Grants	84.336	00163, 00173	362,990		362,990
Total passed through Arizona State University			<u>537,024</u>		<u>537,024</u>

(Continued)

See accompanying notes to schedule.

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

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Direct Expenditures	Pass- Through Expenditures	Total Expenditures (Note 3)
U.S. Department of Education (Concl'd)					
Passed through the El Camino Community College District Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.160	H160A000009	\$ 2,494		\$ 2,494
Passed through the Polaris Joint Vocational School District Technology Innovation Challenge Grants	84.303	R303A980063	458,014		458,014
Passed through the State Board of Directors for Community Colleges Vocational Education—Basic Grants to States	84.048	30204, 30104	<u>885,562</u>		<u>885,562</u>
Total U.S. Department of Education			<u>75,758,946</u>	<u>\$ 917</u>	<u>75,759,863</u>
U.S. Department of Health and Human Services					
Passed through the Maricopa County Human Services Department Head Start	93.600	C-22-01-018-2	<u>4,773</u>		<u>4,773</u>
Corporation for National and Community Service					
Direct grants					
Learn and Serve America—Higher Education	94.005		149,559	127,909	277,468
Passed through the American Association of Community Colleges Learn and Serve America—Higher Education	94.005	00LHEDC001	<u>3,673</u>		<u>3,673</u>
Total for Corporation for National and Community Service			<u>153,232</u>	<u>127,909</u>	<u>281,141</u>
Total Expenditures of Federal Awards			<u>\$ 77,848,158</u>	<u>\$ 913,405</u>	<u>\$ 78,761,563</u>

See accompanying notes to schedule.

Maricopa County Community College District
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 Maricopa 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.

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 2000 or 2002 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned and no contract number exists, the first two digits applicable to the federal agency were used followed by a period and the word "unknown".

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 No. 84.038) included loan balances outstanding at June 30, 2002, of \$1,461,044.

Maricopa County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2002

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Material weakness identified in internal control over financial reporting?	_____	_____ X
Reportable conditions identified not considered to be a material weaknesses?	X _____	_____
Noncompliance material to the financial statements noted?	_____	_____ X

Federal Awards

Material weakness identified in internal control over major programs?	_____	_____ X
Reportable condition identified not considered to be a material weakness?	_____	_____ X (None reported)
Type of auditors' 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])?	_____	_____ X

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
47.076	Education and Human Resources
84.002	Adult Basic Education
	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
84.268	Federal Direct Loan

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,330,223	
Auditee qualified as low-risk auditee?	_____	_____ X

Other Matters

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

Financial Statement Findings

02-01

The District needs to continue its efforts to establish necessary internal control over external access to its information technology (IT) resources

The District has not implemented adequate security over external access to its IT resources. Since the District is moving to a web-based environment, the District is more vulnerable to unauthorized external access. The District's student information system is exposed to external access and manipulation. Similar findings included in our single audit report in the prior year have been partially addressed. However, the District has yet to implement measures to restrict external access to the District's student information system at the campus level. Additionally, the District should proactively configure and monitor IT resources for security at the campus level.

To follow prudent business practices, the District should continue its implementation of adequate security practices to protect IT resources and systems from unauthorized access and manipulation.

02-02

The District needs to establish and test written disaster recovery plans

The District did not have a written disaster recovery plan for processing critical jobs on some of its significant systems in the event of a major hardware or software failure. If a major hardware or software failure were to occur, the District might be unable to process its transactions until the failure was corrected.

To help ensure the continuity of operations and the preservation of records, the District should establish and document a disaster recovery plan for all of its critical IT systems. This plan should be updated and tested on a regular basis and stored off-site. Further, to follow prudent business practices, the District should implement a disaster recovery plan for each of its significant IT systems and test those plans on a regular basis.



www.maricopa.edu

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March 18, 2003

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

Dear Ms. Davenport:

The accompanying corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for the corrective action, the corrective action planned, and the anticipated completion date for each audit findings included in the fiscal year ended June 30, 2002 Schedule of Findings and Questioned Costs.

Sincerely,

Jeffrey J. West, MBA
Director of Financial Services and Controller

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2002

Financial Statement Findings

02-01

The District needs to continue its efforts to establish necessary internal control over external access to its information technology (IT) resources.

Contact Persons: Jeffrey West
Carol Myers

Anticipated Completion Date: June 30, 2003

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT Response:

Concur. On March 11, 2003, ITS Security Services implemented Maricopa's network perimeter firewall, Virtual Private Network (VPN), and a dynamic Intrusion Detection System. Firewalls and IDS' have been in place on CFS and HR, and IDS has been in place at Maricopa's point-of-presence to the Internet for a year. The network perimeter firewalls are blocking known malicious traffic, suspected malicious traffic, and more rules will be added that mirror the SANS Top 20 Known Vulnerabilities. The dynamic IDS system, as well as the firewall, will be dropping malicious packets before they enter Maricopa's network. The VPN allows for secure, encrypted sessions for all Maricopa employees who access administrative applications and systems from a remote location. No other traffic will be allowed. ITS Security Services is working with several campuses on their firewall and IDS implementations, one of which is deployed. Certificate Authority protects the new student system. Maricopa is its own Certificate Authority, and the highest encryption possible is in place. ITS Security Services controls all account creation for Certificate Authority and VPN. The legacy SIS system is under analysis for the capability of allowing for encrypted sessions using SSH. There are two solutions and the solution with the least impact on the end users, but has strong encryption will be implemented.

This finding differs substantially from the last year's finding in that the Maricopa enterprise network infrastructure is now protected with firewalls and IDS.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Corrective Action Plan
Year Ended June 30, 2002

02-02

The District needs to establish and test written disaster recovery plans.

Contact Persons: Jeffrey West
Tom Russo

Anticipated Completion Date: September 30, 2004

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT Response:

Concur. The District has an IT Computer Center Disaster Recovery Plan that covers the worst-case scenario of our critical IT systems. Each critical IT system does not have its own separate plan at this time, except for the District's College Financial System (see Summary Schedule of Prior Audit Findings, finding number 01-02), but is covered in this IT Computer Center Disaster Recovery Plan. The Plan has not been tested as of this date.

The Vice Chancellors of ITS and Human Resources are in the process of addressing the Human Resource System Disaster Recovery Plan. Initial development of the plan is due to begin in late April 2003. It is projected that a working template of a disaster recovery plan should be completed within 6-9 months.

There are no plans for disaster recovery contingencies for the legacy Student Information System, currently scheduled for replacement in late 2004. However, ITS management will be presenting infrastructure and budget plans to include a disaster recovery component as final design features of the New Student System are brought on line over the next 18 months.



www.maricopa.edu

DR. FRED GASKIN

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March 18, 2003

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

Dear Ms. Davenport:

The accompanying summary schedule of prior audit findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to the District's financial statements and federal awards.

Sincerely,

Jeffrey J. West, MBA
Director of Financial Services and Controller

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

Status of Financial Statement Findings

Finding No. 01-01
Status: Partially corrected

The District has made great progress in certain areas of this finding. Additional security policies have been established (see <http://www.maricopa.edu/security>), implementation of a network perimeter firewall, internal firewall, Virtual Private Network (VPN), dynamic Intrusion Detection System (IDS), and email and network/desktop antivirus protection at all locations. In addition, standards have been set for system administrators, security administrators have been assigned at each college, and naming conventions have been changed to hide hardware to avoid manipulation. For additional information, please see the District's corrective action plan for current year finding number 02-01.

Finding No. 01-02
Status: Partially corrected

In June 2001, an initial disaster recovery plan was completed for the District's College Financial System (CFS). This plan has been updated and expanded since its initial version. The plan includes identification of personnel assigned to disaster recovery teams with operating procedures and emergency phone numbers, arrangements for a designated physical facility, risk analysis identifying the critical applications and exposures, and arrangements with vendors to support the needed documents and forms. This plan is set to be tested in Spring 2003. Any necessary modifications resulting from testing will be incorporated into the disaster recovery plan. Please see the District's corrective action plan for current year finding number 02-02 for additional information regarding disaster recovery plans applicable to the District's other primary systems.

Status of Federal Award Findings and Questioned Costs

CFDA No.: 47.076 Education and Human Resources
Finding No. 01-101
Status: Fully corrected