

Navajo County Community College District (Northland Pioneer College)

Single Audit Report

Year Ended June 30, 2022



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;
report on internal control over compliance; and report on schedule of
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

Report on compliance for each major federal program

Opinion on each major federal program

We have audited Navajo County Community College District's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for opinion on each major federal program

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 U.S. Comptroller General, and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2022-101. Our opinion on each major federal program is not modified with respect to this matter.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, 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, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-101 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

District response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance and internal control over compliance findings that are presented in its corrective action plan at the end of this report. The District is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the District's business-type activities and aggregate discretely presented component units as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 28, 2022, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 28, 2023



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	Yes
Identification of major programs	
Assistance Listings number	Name of federal program or cluster
84.425	COVID-19 - Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Financial statement findings

Financial statement findings were reported in the separately issued report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*.

Federal award findings and questioned costs

2022-101

Assistance Listings number and name:	84.425E COVID-19 - Education Stabilization Fund—Higher Education Emergency Relief Fund (HEERF) Student Portion
Award numbers and years:	P425E201812, April 24, 2020 through June 30, 2023
Federal agency:	U.S. Department of Education
Compliance requirement:	Activities allowed or unallowed and allowable costs/cost principles
Questioned costs:	None

Condition—Contrary to federal guidance, the District used emergency financial assistance monies to satisfy the student’s outstanding account balance without obtaining the student’s prior consent to do so for 3 of 30 emergency financial assistance transactions we tested. Specifically, the District misapplied \$500 of program monies, for a total of \$1,500, to discharge each of these student’s outstanding account balance with the District rather than directly disbursing these monies to the students. However, we noted no questioned costs as a result of this noncompliance since the students were eligible to receive financial assistance monies.

Effect—By the District not obtaining a student’s prior consent to discharge their outstanding account balance rather than disbursing the monies directly to the student, the program’s objective to provide students with emergency financial assistance that may be used at the student’s discretion to help defray costs for food, housing, health care, or childcare—in addition to tuition costs—may not be met. Further, the student could face undue financial hardship.

Cause—The District did not have a documented process in place to ensure that it obtained a student’s prior consent for applying emergency financial assistance to the student’s outstanding account balance.

Criteria—Federal guidance requires the District to obtain a student’s prior written or electronic consent prior to applying emergency financial assistance to discharge the student’s outstanding account balance with the District.¹ In addition, the District must establish and maintain effective internal control over federal awards that provides reasonable assurance that it administers federal programs in compliance with all applicable laws, regulations, and award terms (2 Code of Federal Regulations [CFR] §200.303).

Recommendations—The District should:

1. Develop and implement written policies and procedures to ensure the District obtains each student’s written or electronic consent prior to applying any emergency financial assistance to the student’s outstanding account balance.
2. For those instances in which the District misapplied emergency financial assistance to students’ outstanding account balances, determine if the students agree with the discharge of the outstanding account balances or want direct payment of those monies and make any necessary adjustments.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ U.S. Department of Education. (2021). *Higher Education Emergency Relief Fund III, Frequently Asked Questions*, Question 11. <https://www2.ed.gov/about/offices/list/ope/arpfaq.pdf>

DISTRICT SECTION

**NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF LABOR								
WIA YOUTH ACTIVITIES	17.259		NAVAJO COUNTY	1006048	\$34,000	\$34,000	WIOA CLUSTER	\$34,000
TOTAL DEPARTMENT OF LABOR					<u>\$34,000</u>			
SMALL BUSINESS ADMINISTRATION								
SMALL BUSINESS DEVELOPMENT CENTERS	59.037		<i>MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT</i>	<i>SBAHQ-21-B0028</i> <i>SBAHQ-20-C0074</i>	\$125,419	\$213,684	N/A	\$0
COVID-19, SMALL BUSINESS DEVELOPMENT CENTERS	59.037	COVID-19, 59.037	<i>MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT</i>	<i>SBAHQ-20-C0012</i>	\$88,265	\$213,684	N/A	\$0
TOTAL SMALL BUSINESS ADMINISTRATION					<u>\$213,684</u>			
DEPARTMENT OF EDUCATION								
ADULT EDUCATION – BASIC GRANTS TO STATES	84.002	84.002A	<i>ARIZONA DEPARTMENT OF EDUCATION</i>	<i>V002A210003</i>	\$482,770	\$482,770	N/A	\$0
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES	84.007		<i>ARIZONA DEPARTMENT OF EDUCATION</i>	<i>V048A210003</i>	\$209,800	\$209,800	STUDENT FINANCIAL ASSISTANCE	\$1,589,420
FEDERAL PELL GRANT PROGRAM	84.048	84.048A	<i>ARIZONA DEPARTMENT OF EDUCATION</i>	<i>V048A210003</i>	\$465,554	\$465,554	N/A	\$0
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	84.063		<i>YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT</i>	<i>P167210013</i>	\$1,379,620	\$1,379,620	STUDENT FINANCIAL ASSISTANCE	\$1,589,420
EDUCATION STABILIZATION FUND	84.116	84.116T			\$4,542	\$4,542	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425E			\$829,229	\$2,057,030	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425F			\$1,013,786	\$2,057,030	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425L			\$4,625	\$2,057,030	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425P			\$209,390	\$2,057,030	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$4,599,316</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$4,847,000</u>			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

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

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Navajo County Community College District for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Federal assistance listings numbers

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2022 Federal Assistance Listings.

DISTRICT RESPONSE



March 23, 2023

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Maderia J. Ellison
Vice President for Administrative Services/CFO

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2022

Single audit finding

2022-101

Federal award findings and questioned costs.

Maderia Ellison, Vice President for Administrative Services/CFO

Jeremy Raisor, Dean of Career & Technical Education

Anticipated completion date: June 30, 2023

Corrective Action Plan:

The District has been made aware of the issues related to the federal awards and concurs with the finding and recommendations.

The District will develop and implement student refund procedures to ensure that written or electronic consent is received from students before applying emergency financial assistance to the student's outstanding account balance, and that if the consent cannot be obtained within the appropriate time period funds will be released to the student. The district will also make any necessary adjustments on the three accounts where emergency financial assistance was misapplied.

March 23, 2023

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings per the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Maderia J. Ellison
Vice President for Administrative Services/CFO

Navajo County Community College District
(Northland Pioneer College)
Summary schedule of prior year audit findings
Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk

Finding No. **2021-01**. This finding initially occurred in fiscal year 2017.

Status: *Partially Corrected*

Reason for recurrence: The finding was made in fiscal year 2017 and it was not anticipated for it to be reoccurring in fiscal year 2022.

As of June 30, 2022, the District has partially implemented the necessary changes to improve and document an entity-wide risk-assessment process that includes District Administration and IT management. The District has developed policies and procedures documenting and addressing the IT risk-assessment process and entity-wide risk assessment processes. The District will implement IT risk assessments and document remediation, prioritization and responses.

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

Finding No. **2021-02**. This finding initially occurred in fiscal year 2017.

Status: *Partially Corrected*

Reason for recurrence: The finding was made in fiscal year 2017 and it was not anticipated for it to be reoccurring in fiscal year 2022.

As of June 30, 2022, the District has partially implemented the necessary changes to improve existing IT access and security over information technology resources. The District has developed policies and procedures documenting the control processes over IT access and the security protocols. These policies and procedures will be implemented and allow the District to better monitor, manage and control access to data and IT devices, as well as maintain IT security.

