



Federal Compliance Filing by Institutions

Effective September 1, 2019–August 31, 2020

Institutions should answer the questions below. The [Federal Compliance Overview](#) provides information about the applicable HLC policies and provides an explanation of each requirement.

Note that some federal requirements are related to and accounted for in the Criteria for Accreditation or Assumed Practices. Those related Criteria and Assumed Practices have been identified for cross-referencing purposes. Cross-references are also provided to the Code of Federal Regulations. Because HLC may, in some cases, require more of its institutions than the federal regulations, it is important that institutions write to HLC's requirements to ensure their compliance not only with the federal regulations but with HLC's expectations. Lastly, although cross-references to the Code of Federal Regulations are provided here, an institution is always responsible to ensure that it is familiar with the full and current text of those regulations, as they may from time to time be updated.

Submission Instructions

This form and any required appendices should be uploaded to the Assurance System no later than the institution's lock date, unless otherwise noted. Instructions for uploading the documents are provided in the Assurance System. The necessary supporting documentation should be directly responsive to specific documentation requested. While there is no minimum expectation with respect to length, the completed Federal Compliance worksheet, including all appendices, should not exceed 250 pages.

Institution name: **Northland Pioneer College**

1. Assignment of Credits, Program Length and Tuition

Provide web addresses to the following:

- Policy (or set of policies) and procedures for assignment of Credit Hour for all **types** of courses, disciplines, programs, credential levels, formats, regardless of modality.
- Course or program credit assignment procedures. (Note: The Federal Compliance reviewer will contact the institution's Accreditation Liaison Officer after the Federal Compliance materials are received to request a sample of course and program materials. The purpose of the representative

sample of materials is to enable the Federal Compliance reviewer to make a preliminary determination as to whether an institution adheres to its Credit Hour policy.)

Provide the web address to relevant policy/policies:

Link: <https://www.npc.edu/instruction-policies> (policy #1805)

Provide the web address to relevant procedure(s):

Link: <https://www.npc.edu/procedure-3000>;

Faculty Handbook: <https://www.npc.edu/faculty-handbook-2019-20>

Describe the process the institution utilizes to verify length of academic period and compliance with credit hour requirements through course scheduling.

NPC verifies length of academic period and credit hour requirement compliance via a collaborative process that involves the department chairs along with the faculty. Department chairs collaborate with faculty in developing new courses and assigning the appropriate number of credit hours based on the content of the courses, as well as procedures outlined in the Faculty Handbook. NPC's curriculum specialist serves as an additional resource support to the faculty and department chairs in meeting federal and state accreditation requirements. The credit hour information is clearly provided in the new course form. When the course form is submitted to the Arizona Curriculum Review and Evaluation System (ACRES), it undergoes several reviews and ultimate approvals; first by the division dean, then by the Instructional Council, and finally by the Vice President for Learning and Student Services. All program-level, curriculum-related additions or changes are ultimately reviewed and approved by NPC's district governing board. Actual contact time for each course is recommended by the department chairs during course scheduling and is further verified and approved by the deans.

For more information see Federal Requirements 34 CFR §§602.16(a)(1)(viii), 602.24(f), 600.2, and 668.8(k) and (l).

Related HLC Requirements: Core Component 3.A. and Assumed Practice B.1.

2. Institutional Records of Student Complaints

Provide the web address to the institution's complaint policy.

Link: <https://www.npc.edu/student-policies> – see the applicable complaint policies identified below:

Policy #1430 Student Grievance Procedure

Policy #1435 Appeal of Grade Procedure

Policy #1440 Student Code of Conduct

Policy #1441 Free Expression

Provide the web address to the institution's complaint procedure.

Link: See the applicable complaint procedures identified below:

Student Grievances - <https://www.npc.edu/procedure-2605>

Student Conduct Code - <https://www.npc.edu/procedure-2625>

Student Appeal of Grades - <https://www.npc.edu/procedure-2666>

Hazing Prevention - <https://www.npc.edu/procedure-2627>

Harassment and Unlawful Discrimination - <https://www.npc.edu/procedure-2762>

For more information see Federal Requirement 34 CFR §§602.16(a)(1)(ix) and 668.43(b).

Related HLC Requirements: Core Component 2.A and Assumed Practice A.3, A.4.

3. Publication of Transfer Policies

Provide the web address to the institution's transfer policies.

Link: <https://www.npc.edu/file/download/36067> – see the applicable transfer policies in the 2019-20 College Catalog:

Transfer Student Admissions and Credit Acceptance - page 13 (electronic page 15)

Alternative Learning Credit – pages 24-26 (beginning electronic page 24)

Transfer Articulation Agreements – pages 42 (electronic page 42) and 61 (electronic page 61)

Provide the web address where the public can access a list of institutions with which the institution has established articulation agreements. Note that you do not need to provide the full articulation agreements themselves, only the list of agreements that you make public. This list should include the name and location of the agreement partner, the extent to which the institution accepts credit for courses offered by the partner or offers courses for which credits are accepted by the partner, and any credit limitations.

Link: <https://www.npc.edu/university-transfer-degrees>

Provide the web address where current and prospective student can ascertain the institution's transfer requirements in addition to what will and will not transfer.

Links:

AZTransfer manual (100+ pages) - <https://www.manula.com/manuals/aztransfer/handbook-policy-manual/1/en/topic/introduction>

AZTransfer Course Equivalency Guide - <https://aztransmac2.asu.edu/cgi-bin/WebObjects/CEG>

For more information see Federal Requirements 34 CFR §§668.5, 668.8, 668.43(a)(11) and 668.43(a)(12).

Related HLC Requirements: Core Component 2.A and Assumed Practice A.5.D.

4. Practices for Verification of Student Identity

Does the institution have students enrolled in distance or correspondence courses, as defined in federal definitions?

Yes

No (If no, please move on to Title IV Program Responsibilities)

How does the institution verify the identity of students enrolled in these courses?

NPC Student Verification Procedure:

At times, a student may need to verify their identity before action can be taken that will impact their college record. This can happen online, in-person, or by phone. By following the procedure outlined below, NPC staff can provide consistent service and security to students.

Online: Verifying a student's identity online begins with providing students with a username and default password. New students who have enrolled at NPC for any session after May 11, 2009 will receive a unique username and a password. The password is based on the student's date of birth in the following alphanumeric format: dd-Mmm-yy (e.g., 01-Jan-99). If a student calls the support center to have his/her password reset, it will be reset to this format. A student's username will be in the format of first initial, last name, with a possible number. Students can also refer to their Student Data Sheets (SDS's) for this information. Online students can access their SDS's when logging onto their myNPC account. For high school students their SDS's are mailed to them.

NPC is committed to strengthening its student verification practice for online students. In Spring 2019, the Instructional Council established the Proctored Testing Ad Hoc Committee to explore options that verify student identity at the time when quizzes or exams are conducted online. The committee conducted a faculty survey to determine who uses Moodle (NPC's online learning management system) to administer quizzes and exams, as well, as general interest in online proctoring options. In April 2019, Instructional Council approved conducting pilot testing with the committee's recommended vendor for several classes in fall 2019 semester.

In-Person: There may be times when students are asked to verify their identity in person. This is especially true when an NPC staff member is unfamiliar with the student in question. When this happens, there are multiple methods of verifying student identity.

- Ask to see their NPC student ID and verify that the name and ID number match the name and ID number in Jenzabar. If it is a photo ID, verify that the picture matches the student.
- Ask to see the student's driver's license or another form of government-issued ID and verify that the personally identifiable information (name, social security number, date of birth, etc.) matches data in Jenzabar.

If the student's name and student ID number and/or photo/personally identifiable information matches the data in Jenzabar, his/her identity is considered verified. If the above information does not match the data in Jenzabar, additional information may need to be confirmed using the "By Phone" verification method described below.

By Phone: When a student calls NPC to conduct business over the phone, the student's identity is checked against a minimum of four out of six pieces of personally identifiable information: name, last

4 digits of social security number, student ID number, date of birth, address, and phone number. If a piece of information does not match the information in Jenzabar, they can still verify their identity by providing four of the other pieces of information listed above. This allowance is made because addresses and phone numbers can change, social security numbers may have been recorded incorrectly, etc. As well, a student may not know their student ID number, so they can provide four of the other five possible pieces of information. Once a student's identity has been verified, their student ID number may be disclosed to them. If any information appears to be incorrect, or if there are not four available pieces of information to verify, students can then be transferred to the Records and Registration Office for assistance in updating the appropriate records.

How does the method of verification make reasonable efforts to protect student privacy?

Username and passwords are only provided to the individual students themselves, ensuring that they are the only ones that can use the information to access online courses or other college resources. NPC's Student Conduct Code (Procedure 2625) prohibits the "unauthorized use of another's identification and password." By verifying four data elements in-person or by phone, as mentioned above, the college has a reasonable expectation that the student is who they say they are. This allows us to assist students with a variety of services while providing assurance that student privacy is maintained.

Are there any additional costs (e.g., fees associated with test proctoring) charged directly to the student because of this method?

Yes

No

If yes, how are the additional costs disclosed to students prior to enrollment in a distance or correspondence course?

Provide the web address where the public can access information regarding the additional costs.

For more information see Federal Requirement 34 CFR §602.17(g).

Related HLC Requirement: Core Component 2.A.

5. Title IV Program Responsibilities

This requirement has several components the institution must address. The institution staff compiling this information should work with the financial aid office and the chief financial officer or comptroller. For more information see Federal Requirement 34 CFR §602.16(a)(1)(x).

General Program Responsibilities

- a. What is the current status of the institution's Title IV program (e.g., recertified on date x, provisionally certified on date x, etc.)?

Northland Pioneer College's Title IV program was re-certified on 12/3/2015; its Program Participation Agreement is effective from 1/4/2016 – 9/30/2021.

b. When was the institution's most recent Title IV program review?

Date: Not Applicable

Northland Pioneer College has not received any concern from the Department of Education for at least the last 10 years, and therefore, has not been subject to a Title IV program review. NPC's recent financial audits, performed annually by the Arizona State Auditor General's Office, have received unmodified opinions and have not included any findings in the areas of financial aid.

c. Has the institution been audited or inspected by the Office of the Inspector General of the U.S. Department of Education since the last comprehensive evaluation by HLC?

Yes

No

Provide the most recent Title IV program review, or other inspection or audit report since the last comprehensive evaluation by HLC, as **Appendix A**.

d. List any limitation, suspension or termination actions imposed on the institution by the U.S. Department of Education (hereafter referred to as "the Department") since the last comprehensive evaluation by HLC and the reason for such actions. (Use N/A for not applicable.)

N/A - No limitations, suspensions, or termination actions have been imposed on Northland Pioneer College.

e. List any fines, letters of credit or heightened cash monitoring imposed on the institution by the Department since the last comprehensive evaluation by HLC and the reason for such actions. (Use N/A for not applicable.)

N/A - No fines, letters of credits, or heightened monitoring have been imposed on Northland Pioneer College.

f. What response and corrective actions have the institution taken in regard to these Department actions? (Use N/A for not applicable.)

N/A - No Department actions have been taken that require a response or corrective action from Northland Pioneer College.

g. What are the consequences of these actions by the Department for the institution's short- and long-term financial health? (Use N/A for not applicable.)

N/A - There have been no negative consequences to Northland Pioneer College due to additional Department requirements, restrictions, or monitoring.

h. What are the findings from the OMB Circular A-133 portion of the institution's three most recent audited financial statements, which identifies material weaknesses in the processing of financial aid?

There have been no findings relating to material weaknesses in the processing of financial aid. See the latest Single Audit report (for Fiscal Year Ended June 30, 2018) in Appendix A – financial aid summaries are typically on page 7 (electronic page 11) of the report.

i. In which of the following Title IV federal financial aid programs does the institution participate? Select all that apply:

- Pell Grant
- Federal Family Education Loan
- Federal Direct Stafford Loan
- Direct PLUS Loan
- Federal Supplemental Educational Opportunity Grant
- Federal Work Study
- Perkins Loans
- Academic Competitiveness Grant

Provide action letters issued by the Department that explain its rationale for any actions described in D, E and H (if applicable) and provide any reports issued by the institution, if available, demonstrating improvement as **Appendix B**.

For more information see Federal Requirement 34 CFR §668.16.

Financial Responsibility Requirements

a. What were the outcomes of the three most recent Department reviews of the institution's composite ratios and financial audits?

1. 2018/CFI: 8.52 (excluding pension)
2. 2017/CFI: 8.44 (excluding pension)
3. 2016/CFI: 8.63 (excluding pension)
4. 2015/CFI: 8.42 (excluding pension)

A department review of the college's composite ratios and financial audit is conducted annually through the Arizona State Auditor General's Office. The audit determines if the financial statements are free of material misstatements and ensures compliance with Arizona Revised

Statutes. For the last three years, the college's composite financial ratios have been above 8.0, and Financial and Single Audit opinions have been unmodified.

NPC's Composite Financial Index (CFI) for the years 2008 to 2018 has been greater than 7.0, and for the last five years has been greater than 8.0. In 2015, HLC requested the CFI be calculated with and without the new accounting and financial reporting guidelines for pensions adopted in 2015. The District's 2018 CFI including pensions was 8.88 and excluding pensions was 8.52.

- b. Have there been any fines, penalties, letters of credit or other requirements imposed by the Department as a result of these reviews?

Yes

No

Note: HLC also annually analyzes each institution's financial ratios to determine whether there might be financial concerns. The peer review team checks with the institution and the HLC staff to determine whether HLC or the Department has previously raised concerns about the institution's finances based on these ratios.

- c. What actions has the institution taken or does it plan to take in response to any concerns raised by HLC or the Department? Please insert narrative below. (Use N/A for not applicable.)

N/A – No concerns were raised that require institutional action.

Provide any action letters issued by the Department that explain its rationale for any actions it may have taken (if applicable) and evidence of institutional improvement as **Appendix C**.

For more information see Federal Requirements 34 CFR §§668.15, 668.23, 668.171, 668.173, and 668.174.

Related HLC Requirements: Core Components 5.A, 2.B; Assumed Practice D.

Campus Crime Information, Athletic Participation and Financial Aid, and Related Disclosures

Title IV responsibilities include the legal obligation to disclose information to students and to the public about campus crime, athletic participation and financial aid.

- a. What administrator or office on campus is responsible for ensuring that these disclosures are regularly compiled and published and that the data are accurate?

Title IV required disclosures and statistics are divided into two categories when being compiled, reviewed for accuracy, and published. 1) Campus Crime Statistics (CCS) and 2) financial aid disclosures. The Office of Institutional Effectiveness gathers crime statistics with the help of local police departments. These disclosures are published on the college's website and are also available to the public by contacting the Office of the Vice President for Learning and Student Services. Financial aid disclosures are made available on the college's website and many are contained in the Student Rights and Responsibilities section of the College Catalog as well.

b. Has the institution been the subject of any federal investigation related to any of the required disclosures for Title IV responsibilities?

Yes

No

If yes, does the institution have any findings from the Department regarding these disclosures?

Yes

No

If yes, explain any findings related to any of the required disclosures for Title IV and corrective action plans the institution may have to remedy the findings.

c. Provide the web address where this information is made available to the public.

Financial Aid Information (aid programs, application information, distribution of aid, Return to Title IV, student rights and responsibilities, Federal Work Study, loan repayment, satisfactory academic progress): <https://www.npc.edu/financial-aid-scholarships>

Clery (Campus Security) Act: Crime Statistics (<https://www.npc.edu/crime-statistics>), Campus Security Plan, Alcohol and Drug Policy (<https://www.npc.edu/public-notice/npc-alcohol-drug-policies>)

Equity in Athletics Disclosure Act – NPC does not participate in collegiate athletic programs but has several student activities, clubs and organizations: Student Government Association (SGA), Phi Theta Kappa (PTK), Outdoor Club, Eagle Club, Student Ambassadors, Ham Radio Club: <https://www.npc.edu/student-clubs>

For more information see Federal Requirements 34 CFR §§668.41, 668.42, 668.43, 668.44, 668.46, and 668.49.

Student Right to Know/Equity in Athletics

Title IV responsibilities require that institutions provide to students and the public graduation/completion rates for the student body by gender, ethnicity, receipt of Pell grants and other data as well as information about the process for withdrawing as a student, cost of attendance, policies on refund and return of Title IV financial aid, current academic programs and faculty, names of applicable accrediting agencies, description of facilities for disabled students, and the institution's policy on enrollment in study abroad. In addition, certain institutions need to disclose their transfer-out rate. Also, institutions with athletic programs are required to disclose athletic participation rates and financial support data.

a. What administrator or office on campus is responsible for ensuring that these disclosures are regularly compiled and published and that the data are accurate?

It is the responsibility of the Director of Enrollment Services in coordination with the Office of Institutional Effectiveness and other academic departments to regularly compile, check for accuracy, and publish disclosures relating to graduation/completion rates, the student withdrawal process, costs of attendance, current programs and faculty, accrediting agencies, descriptions of facilities, study abroad, financial aid refunds and returns to Title IV.

b. Has the institution been the subject of any federal investigation related to any of the required disclosures for Student Right to Know/Equity in Athletics?

- Yes
 No

If yes, does the institution have any findings from the Department regarding these disclosures?

- Yes
 No

If yes, explain any findings related to any of the required disclosures for Student Right to Know/Equity in Athletics and corrective action plans the institution may have to remedy the findings.

c. Provide the web address where this information is made available to the public.

Student right to know: Information on completion/graduation rates for general student body: (See <https://www.npc.edu/student-outcomes-data>) Information on completion/graduation rates for student athletes – N/A None to report, NPC does not participate in collegiate athletic programs.

Student right to know information is also printed on the 2019-20 College Catalog (electronic page 189): <https://www.npc.edu/file/download/36067>

For more information see Federal Requirements 34 CFR §§668.41, 668.45, 668.48, and 668.8.

Related HLC Requirement: Assumed Practice A.6.

Satisfactory Academic Progress Policy

The institution is required to have a Satisfactory Academic Progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under Title IV, HEA programs.

a. Is such a policy readily available to students?

- Yes
 No

b. Does it satisfy federal requirements?

Yes

No

c. Does the institution have any findings from the Department regarding this policy?

Yes

No

If yes, explain any findings related to any of the required disclosures for Satisfactory Academic Progress and corrective actions that may have been required by the Department related to these findings.

d. Provide the web address where this information is made available to the public.

Link: <https://www.npc.edu/satisfactory-academic-progress>

Satisfactory Academic Progress information is also printed on the 2019-20 College Catalog (electronic pages 31 and 62): <https://www.npc.edu/file/download/36067>

For more information see Federal Requirement 34 CFR §668.34.

Related HLC Requirements: Criterion 3.A; Assumed Practice A.5.

6. Publication of Student Outcome Data

Student outcome data, as defined in federal definitions, should be made available to the public through the institution's website—for instance, linked to the institution's home page, included within the top three levels of the website or easily found through a search of related terms on the website—and should be clearly labeled as such. Any technical terms in the data should be defined, and any necessary information on the method used to compile the data should be included. Data may be provided at the institutional or department level or both, but the institution must disclose student outcome data that address the broad variety of its programs, (both undergraduate and graduate, as applicable) including outcome data from each program level.

Are student outcome data published on the institution's website following the specifications above?

Yes

No

Provide a link to the webpage(s) that contains the student outcome data.

Link: <https://www.npc.edu/student-outcomes-data>

For more information see Federal Requirement 34 CFR §602.16(a)(1)(i).

Related HLC Requirement: Assumed Practice A.6.

7. Standing With State and Other Accrediting Agencies

List any relationships the institution has with any specialized, professional or institutional accreditor or with any governing or coordinating bodies in states in which the institution has a presence. Note whether the institution or any of its programs is on a sanction, is provisionally approved or has lost status with any state agency or accrediting body.

NPC does not have specialized accreditation with any single agency that covers one-third or more of either the institution's offerings or its students, nor does it have an affiliation with any institutional accrediting body other than the Higher Learning Commission.

However, the college is subject to the standards and regulations of several external agencies. NPC complies with all federal and state requirements including, but not limited to the Higher Education Act, the Family Educational Rights and Privacy Act (FERPA), the Student Right-to-Know Act, the Americans with Disabilities Act (ADA), the Fair Labor Standards Act, the Drug-Free Schools and Communities Act, and the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (The Clery Act).

NPC's Nursing program is approved by the Arizona State Board of Nursing and the Accreditation Commission for Education in Nursing (ACEN).

NPC's Paramedicine program is certified by the Arizona Department of Health Services and the Commission on Accreditation of Allied Health Education Programs (CAAHEP).

NPC's Fire Science program uses the state-approved Arizona Fire Safety Committee curriculum in its program.

NPC's Cosmetology program is licensed by the Arizona State Board of Cosmetology.

NPC's Welding program is certified through the American Welding Society (AWS).

NPC's Education department provides courses for teacher certification requirements as regulated by the Arizona Department of Education.

Other programs such as Energy and Industrial Technician and Construction Technology all comply with the curriculum and standards of the National Center for Construction Education and Research (NCCER).

Provide the web address where students and the public can find information about the institution's standing with state agencies and accrediting bodies.

Link: <https://www.npc.edu/about-npc/other-agencies-accredit-npc-programs>

For more information see Federal Requirements 34 CFR §§602.28, 668.41 and 668.43.

Related HLC Requirements: Core Component 2.B; Assumed Practices A.7, C.4.

List of Appendices

Please read each section of this document carefully for instructions on the information and material to be included in these appendices.

Title IV Program Responsibilities

Appendix A..... General program responsibilities: Most recent program review or other inspection or audit reports since last comprehensive evaluation.

Appendix B..... General program responsibilities: Action letters issued by the Department that explain its rationale for any Department actions any reports issued by the institution, if available, demonstrating improvement.

Appendix C Financial responsibility requirements: Action letters issued by the Department that explain its rationale for any actions it may have taken (if applicable) and evidence of institutional improvement.

Navajo County Community College District (Northland Pioneer College)

Single Audit Report

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

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Senator **Steve Yarbrough** (ex officio)

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Report Issued Separately

Comprehensive Annual Financial Report



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' 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*

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Navajo County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2018. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, 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 aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

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 basic 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 and 2018-02, that we consider to be significant deficiencies.

Compliance and other matters

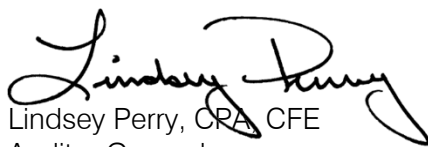
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Navajo County Community College District's response to findings

Navajo County Community College District's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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.



Lindsey Perry, CPA CFE
Auditor General

November 9, 2018



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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

We have audited Navajo County Community College District's compliance with the types of compliance requirements described 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, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 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* (Uniform Guidance). Those standards and the Uniform Guidance 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, Navajo 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, 2018.

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 compliance 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 the Uniform Guidance, 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 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 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.

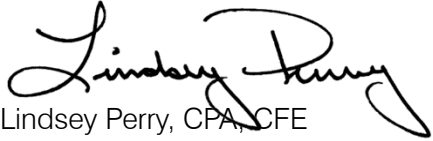
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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.

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

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Navajo County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 9, 2018, 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 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.

A handwritten signature in black ink, appearing to read "Lindsey Perry". The signature is fluid and cursive, with a large initial "L" and a long, sweeping tail.

Lindsey Perry, CPA, CFE
Auditor General

November 16, 2018





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? **None reported**

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)? **No**

Identification of major programs

CFDA number	Name of federal program or cluster
84.007, 84.033, 84.063	Student Financial Assistance Cluster
84.031	Higher Education—Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511 (b)? Yes

Financial statement findings

2018-01

Managing risk

Condition and context—The District’s process for managing its risks did not include an overall risk-assessment process that included identifying, analyzing, and responding to the district-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the District were impacted by disasters or other system interruptions.

Criteria—Effectively managing risk at the District includes an entity-wide risk-assessment process that involves members of the District’s administration and IT management to determine the risks the District faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the District might be subjected. To help ensure the District’s objectives can be met, an annual risk assessment should include considering IT risks. For each identified risk, the District should analyze the identified risk and develop a plan to respond within the context of the District’s defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information and the risk of losing the continuity of business operations in the event of a disaster or system interruption.

Effect—The District’s administration and IT management may put the District’s operations and IT systems and data at unintended and unnecessary risk.

Cause—The District relied on an informal process to manage IT risks. Also, the District lacked written policies and procedures for inventorying its data and performing an analysis of potential impacts to business functions and IT systems to determine the highest risks for continuing operations.

Recommendations—The District should identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data. It also should plan for where resources should be allocated and where critical controls should be implemented. To help ensure it has effective entity-wide policies and procedures to achieve these objectives, the District should follow guidance from a credible IT security framework such as that developed by the National Institute of Standards and Technology. Responsible administrative officials and management over finance, IT, and other entity functions should be asked for input in the District’s process of managing risks. The District should conduct the following as part of its process of managing risks.

- Perform an annual entity-wide IT risk-assessment process that includes evaluating risks such as risks of inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
- Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the District holds to assess where stronger access and security controls may be needed to protect data in accordance with state statutes and federal regulations.

- Evaluate and determine the business functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on critical organizational functions, such as student services, and operations, such as payroll and accounting, and determine how to prioritize and plan for recovery.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2017-01.

2018-02

Information technology (IT) controls—access, configuration management, security

Condition and context—The District's control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The District lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Configuring systems securely**—Procedures did not ensure IT systems were securely configured and configuration changes were adequately managed.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

Criteria—The District should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical and physical access controls**—Help to ensure systems and data are accessed by users who have a need, access granted to systems and data is appropriate, the District monitors and reviews access to key systems and data, and the District protects the physical access to its system infrastructure.
- **Well-defined documented configuration management process**—Ensures the District's IT systems are configured securely. This helps limit the possibility of an adverse impact on the system security or operations.
- **IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Effect—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and the loss of confidentiality and integrity of systems and data.

Cause—The District had not sufficiently documented and fully implemented its policies and procedures over protecting IT systems and data.

Recommendations—To help ensure the District has effective policies and procedures over its IT systems and data, the District should follow guidance from a credible IT security framework such as that developed

by the National Institute of Standards and Technology. To help achieve these control objectives, the District should develop, document, and implement control procedures in each IT control area described below:

Access

- Periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees' access to IT systems and data.
- Review contractor and other nonentity account access to ensure it remains appropriate and necessary.
- Evaluate the use and appropriateness of accounts shared by two or more users and manage the credentials for such accounts.
- Enhance authentication requirements for IT systems.
- Review data center physical access periodically to determine whether individuals still need it.

Configuration management

- Configure IT resources appropriately and securely, manage changes to IT resource configurations, and maintain configuration settings.

Security

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Prepare and implement a security incident-response plan making it clear how to report and handle incidents.
- Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
- Perform IT vulnerability scans and remediate vulnerabilities in accordance with a remediation plan.
- Identify, evaluate, and apply patches in a timely manner.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year findings 2017-02 (access), 2017-03 (configuration management), and 2017-04 (IT security).

DISTRICT SECTION

DISTRICT SECTION

**Navajo County Community College District
(Northland Pioneer College)
Schedule of expenditures of federal awards
Year ended June 30, 2018**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures
National Science Foundation					
47 076	Education and Human Resources		Science Foundation AZ	DUE-0728405	\$ 26,667
47 076	Education and Human Resources		Science Foundation AZ	17-085	600
	<i>Total 47.076</i>				<u>27,267</u>
	Total National Science Foundation				<u>27,267</u>
Small Business Administration					
59 037	Small Business Development Centers		Maricopa County Community College District	SBAHQ-17-B-0026	<u>123,832</u>
Department of Education					
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	V002A1800003	462,003
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			59,000
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			129,379
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			<u>2,224,129</u>
	<i>Total Student Financial Assistance Cluster</i>				<u>2,412,508</u>
84 031	Higher Education—Institutional Aid				380,319
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	V048A170003	309,220
84 334	GEAR UP State Grant 2012-19		Northern Arizona University	1001848-23	<u>6,584</u>
	Total Department of Education				<u>3,570,634</u>
	Total expenditures of federal awards				<u>\$ 3,721,733</u>

**Navajo County Community College District
(Northland Pioneer College)
Notes to schedule of expenditures of federal awards
Year ended June 30, 2018**

Note 1 - 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, 2018. 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* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

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.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *Catalog of Federal Domestic Assistance*.

Note 4 - Indirect cost rate

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

DISTRICT RESPONSE

DISTRICT RESPONSE

November 9, 2018

Lindsey Perry, Auditor General
Office of the 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
Associate Vice President/Chief Business Officer

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2018

Financial statement findings

2018-01 – Managing Risk

The District should identify, analyze and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.

Phillip Way, Associate Vice President and Chief Information Officer &
Maderia Ellison, Associate Vice President and Chief Business Officer
Anticipated completion date: Sept. 1, 2019

Corrective Action Plan:

The District has been made aware of the issues related to risk-assessment process and concurs with the finding and recommendations.

The District will make the necessary changes to improve an entity-wide risk-assessment process that includes District Administration and IT management to develop an appropriate risk response that defines objectives to identify risks, define risk tolerance, identify, analyze and respond to identified risk; specifically it will:

- Develop new policies and procedures to formalize an entity wide risk assessment process that will include information technology.
- Evaluate and identify risk scenarios, including likelihood and magnitude; document and disseminate results, review, and prioritize for mitigation.
- Develop and document security measures to identify, classify and inventory sensitive information with procedure(s) that include security categories of classification, potential state statutes and federal regulations which may apply and disclosure notification as part of District procedure.
- Evaluate and update existing business continuity plan to include disaster impact on key business processes and establish a prioritization of these functions with defined acceptable time frames.
- Recruit and hire a Security Coordinator as a position that has been vacant for more than a year, as a primary area of focus and responsibility.

2018-02 – Information technology (IT) controls – access, configuration management and security

The District should improve its access, configuration management and security over information technology resources.

Phillip Way, Associate Vice President and Chief Information Officer
Anticipated completion date: July 1, 2019

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2018

Corrective Action Plan:

The District has been made aware of the issues related to improving existing access, configuration management and security and concurs with the finding and recommendations.

The District will make the necessary changes to improve existing access controls over information technology resources; specifically it will:

- Evaluate and update existing controls and processes to review user access to network and systems. Process development to establish supervisory responsibilities at all leadership levels to ensure compliance with IS/IT mandates.
- Evaluate and update existing policies and procedures across the District departments to effectively provide timely employee status updates that notify IS/IT for timely removal of employee access and/or removal of account.
- Evaluate and update existing contractor and nonentity account access audit procedure for annual review.
- Evaluate and document shared network access account procedure to include revision of credentials when group members leave a shared account.
- Evaluate and update existing password policy for all account users and apply to all network and system accounts.
- Update and define physical access policy/procedure to data center locations.

The District will make the necessary changes to improve existing configuration management over information technology resources; specifically it will:

- Evaluate and update existing configuration management procedures against current IS/IT standards and best practices and update where needed and implemented.
- Evaluate and evolve the IS/IT resources configuration settings for all systems and document those processes.
- Continue to recruit and hire a Database Administrator as a position that has been vacant for the past four years as a primary area of focus and responsibility.

Navajo County Community College District
Northland Pioneer College
Corrective action plan
Year ended June 30, 2018

The District will make the necessary changes to improve existing security controls over information technology resources; specifically it will:

- Develop through evolution of existing controls, effective IS/IT security processes that aid in the prevention, detection and response to potential unauthorized access/use, manipulation, damage, or loss of IS/IT resources. The security posture of the District is already undergoing significant development and has recognized this area in the recent year with a great attention. The District has been seeking to hire a Security Coordinator for the past year and the position is currently still vacant.
- Establish enhanced monitoring and logging practice to be developed further with procedure outlining expectations and actions required.
- Evaluate and establish an incident response plan scenario and test cycle to ensure effective incident response measures.
- Coordinate internal training development with the District trainer to establish a continuous program focused on IS/IT security risk. Training will include a basic understanding of information security, personal user responsibility, recognizing potential risk/threat vectors, and proper reporting and handling of incidents.
- Perform, analyze, and evaluate, on a periodic basis, an IS/IT vulnerability scan. Results will be shared as appropriate and actions taken as required.
- Continue to evaluate and update service patches as appropriate and timely required.



Northland Pioneer College

November 9, 2018

Lindsey Perry
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 as required 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, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs

Sincerely,

Maderia J. Ellison
Associate Vice President/Chief Business Officer

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Navajo County Community College District
(Northland Pioneer College)
Summary schedule of prior year audit findings
Year Ended June 30, 2018

The District should improve its risk-assessment process to include information technology security.

Finding No. **2017-01**

Status: *Partially Corrected*

As of June 30, 2018, the District has not fully implemented the necessary changes to improve and document an entity-wide risk-assessment process that includes District Administration and IT management due to the complexity of the requirement. The District has developed policies and procedures documenting and addressing the IT risk-assessment process and continues to develop entity-wide risk assessment processes in addition to improving its IT risk assessments and better document remediation, prioritization and responses.

The District should improve its access controls over information technology resources.

Finding No. **2017-02**

Status: *Partially Corrected*

As of June 30, 2018, the District has not fully implemented the necessary changes to improve existing access controls over information technology resources due to the complexity of the requirements. The District has developed policies and procedures documenting the control processes over IT access controls. These policies and procedures allow the District to better monitor, manage and control access to data and IT devices.

The District should improve its configuration management process over information technology resources.

2017-03

Status: *Partially Corrected*

As of June 30, 2018, the District has not fully implemented the necessary changes to improve existing configuration management over information technology resources. The District has developed IT Management Guidelines documenting the process, applications and roll back processes of configuration management.

The District should improve security over information technology resources.

2017-04

Status: *Partially Corrected*

As of June 30, 2018, the District has not fully implemented the necessary changes to improve security over information technology resources. The District has developed policies and procedures documenting the security protocol over IT management. These policies and procedures allow the District to better maintain IT security, manage and review access to data and IT devices.

