

# Maricopa County Community College District

Report on Internal Control  
and on Compliance

Year Ended June 30, 2024

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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# TABLE OF CONTENTS

<b>Independent auditors' report</b> on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i>	1
<b>Schedule of findings and recommendations</b>	3
Financial statement findings	3
<b>District response</b>	
Corrective action plan	
<b>Report issued separately</b>	
Annual Comprehensive Financial Report	



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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  
Maricopa County Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2024. Our report includes a reference to other auditors who audited the financial statements of the Maricopa County Community College Foundation, the discretely presented component unit, as described in our report on the District's financial statements.

### **Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2024-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2024-01 and 2024-02 to be significant deficiencies.

## **Report on 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 financial statements. 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*.

## **District response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit 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 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 A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

December 19, 2024



# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

## Financial statement findings

### 2024-01

District deficiencies related to supervisors not reviewing and approving 8,667 employee time sheets representing \$5.63 million in total wages increased the risk of fraud and potential misuse of public monies

**Condition**—The District reported to us that during fiscal year 2024 and contrary to its written procedures, supervisors had not reviewed or approved—either before processing payroll or within a reasonable amount of time thereafter—8,667 employee time sheets totaling approximately \$5.63 million in total wages.

**Effect**—As a result of employees' supervisors not reviewing and approving time sheets, the District was exposed to an increased risk of fraud and misuse of public monies because it could not prevent, or detect and correct, employees intentionally or unintentionally misreporting their time worked or leave taken.

**Cause**—Some supervisors did not follow District policies and procedures requiring employees' time sheets to be reviewed and approved either before processing payroll or within 3 business days from receiving a payroll email notification that the employee's time sheet needs approval. Additionally, District management did not sufficiently monitor whether each college's Human Resources Department was enforcing these policies and procedures or verifying that supervisors reviewed and approved employees' time sheets, as required.

**Criteria**—The District's written procedures require each employee's time sheet to be reviewed and approved by the employee's supervisor either before processing payroll or within 3 business days from receiving a payroll email notification that the employee's time sheet needs approval. Additionally, each college's Human Resources Department is responsible for verifying that supervisors timely reviewed and approved time sheets.<sup>1</sup> Finally, designing, implementing, and maintaining effective policies and procedures over approving payroll time sheets is necessary to achieve the District's objectives that include safeguarding public monies and other assets, and responding to risks of fraud is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.<sup>2</sup>

**Recommendations**—The District's management should:

1. Enforce District written procedures requiring supervisors to review and approve employees' time sheets, either before payroll is processed or within 3 business days from receiving the payroll email notification that a time sheet needs approval, to verify employees accurately reported their time worked and leave taken.

2. Monitor and ensure each college's Human Resources Department:
  - a. Verifies that supervisors perform the required post-payroll reviews and approvals within 3 business days if situations occur that result in supervisors being unable to conduct time sheet approvals prior to payroll-processing deadlines.
  - b. Corrects any errors noted during the post-payroll reviews.
3. Develop procedures to periodically compile and submit a listing of remaining unapproved time sheets to each college's Human Resources Department to follow up with the employee's supervisor to complete outstanding time sheet review and approvals.

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 audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-01 and was initially reported in fiscal year 2014.

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<sup>1</sup> Maricopa County Community College District (MCCCD). Version 1.1 (2019). Monitoring Time Approvals: Monitoring Procedures.

<sup>2</sup> U.S. Government Accountability Office (GAO). (2014). *Standards for Internal Control in the Federal Government*. Washington, DC. Retrieved 11/27/2024 from <https://www.gao.gov/assets/gao-14-704g.pdf>

## 2024-02

### 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 of potential harm

**Condition**—The District's process for managing and documenting 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 systems and data.

**Effect**—The District's administration and IT management may put the District's operations and IT systems and data at unintended and unnecessary risk of potential harm.

**Cause**—The District's administration and IT management reported they did not have a process to monitor its District Office's and colleges' adherence to the District's annual risk assessment policies, and they are developing a new process but were unable to complete and implement it by fiscal year end.<sup>1</sup>

**Criteria**—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the District to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the District's administration and IT management. An effective risk assessment process helps the District determine the risks it faces as the District 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 compliance and service objectives.<sup>2</sup> Additionally, an effective risk management process provides the District the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the District's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the District's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the District's defined objectives and risk tolerances.

**Recommendations**—The District’s administration and IT management should:

1. Make it a priority to develop and implement processes to monitor its District Office’s and colleges’ adherence to the District’s annual risk assessment policies and manage risks to determine where to implement critical controls.
2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.

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 audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> The District’s policies require a risk assessment to be performed annually (Maricopa County Community College District. [June 30, 2016]. Information Technology Directives Risk Management).

<sup>2</sup> The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act’s “Safeguards Rule” requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.

## 2024-03

**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**

**Condition**—The District’s control procedures for assigning and restricting access were not sufficiently developed, documented, and implemented to consistently help prevent or detect unauthorized or inappropriate access 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/or the loss of confidentiality or integrity of systems and data.

**Cause**—The District’s IT management reported it did not prioritize developing, documenting, and implementing its IT policies and procedures and failed to complete all planned tasks due to staffing limitations.

**Criteria**—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, helps the District to protect its IT systems and ensures the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives.<sup>1</sup> Effective internal controls include restricting access through logical controls, which helps to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

**Recommendations**—The District should:

1. Make it a priority to develop and document comprehensive IT policies and procedures.



2. Monitor District employees' adherence to the IT policies and procedures on a periodic basis to ensure they are consistently followed and inform employees of updates to the policies and procedures throughout the year.

**Restrict access**—To restrict access to its IT systems and data, develop, document, and implement processes to:

3. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
4. Review all other account access to ensure it remains appropriate and necessary.
5. Enhance authentication requirements for IT systems.

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 audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-02 and was initially reported in fiscal year 2023.

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<sup>1</sup> The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act's "Safeguards Rule" requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.

# DISTRICT RESPONSE



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February 10, 2025

Lindsey A. Perry  
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,

Dawn D. Rector, CPA, MBA  
Interim Associate Vice Chancellor & Controller, Business Services

**Maricopa County Community College District**  
**Corrective Action Plan**  
**Year ended June 30, 2024**

## **Financial statement findings**

### **2024-01**

**District deficiencies related to supervisors not reviewing and approving 8,667 employee time sheets representing \$5.63 million in total wages increased the risk of fraud and potential misuse of public monies.**

*Names of contact persons: Dawn Rector and Frank Wilson*

Anticipated completion date: February 2025

The District agrees with the finding. The District's Human Capital Management System (HCM) is configured to require supervisory approval of time sheets prior to paying employees for hours recorded. However, because Department of Labor regulations require that employees be paid for time worked regardless of approval status, a system-generated approval process triggers an automated email to supervisors, which provides an opportunity to ensure supervisors manually approve employee time worked and paid following each bi-weekly payroll run. All expenses, including wages, are monitored monthly by all business units within the District and any deviations from expectations are investigated, which may result in requiring employees to pay the District back for fraudulent time reported and possible termination. Monitoring, exception reporting, and additional efforts to increase compliance have been implemented, resulting in a 94% on-time supervisor approval rating. Efforts to improve and document timely supervisor approvals after each bi-weekly payroll is processed are being finalized.

### **2024-02**

**District deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.**

*Name of contact person: Jamie Spradlin*

Anticipated completion date: June 2025

The District agrees with the finding. Though some measures to address this concern are already in place, the District is implementing additional protocols to further strengthen the protection of the District's IT systems and sensitive data. The District is implementing a process to monitor annual risk assessment policies and plans to implement a new district-wide risk assessment tool to identify, annually evaluate and document risks and determine where to implement critical controls and safeguards.

**Maricopa County Community College District**  
**Corrective Action Plan**  
**Year ended June 30, 2024**

**2024-03**

**District 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.**

*Name of contact person: Jamie Spradlin*

Anticipated completion date: June 2025

The District agrees with the finding. Though some measures to address this concern are already in place, the District is implementing additional protocols to further strengthen the protection of the District's IT systems and sensitive data. This includes the implementation of a new Identity and Access Management (IAM) solution to enhance the overall account management, provisioning, access rights, privileged access review and role-based access assignment upon hire.

