

Apache County, Arizona
Single Audit Reporting Package

Year ended June 30, 2015

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Single Audit Reporting Package
Year ended June 30, 2015**

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Reports Issued Separately

Financial Statements

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*

**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 OMB Circular A-133**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Apache County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Apache County's (the "County") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the County 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 identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101 and 2015-102. Our opinion on each major federal program is not modified with respect to these matters. The County's responses to the noncompliance findings identified in our audit are presented on page 12. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The County'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 County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101 to 2015-102 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are presented on page 12. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 7, 2017 that contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County'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.

Walker & Armstrong, LLP

Phoenix, Arizona
August 7, 2017

Apache County, Arizona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through the Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861142	\$ 162,418
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	ADHS12-014988	56,400
<i>Passed through Arizona State Forestry</i>			
Cooperative Forestry Assistance	10.664	WFHF 09-006	87,647
<i>Passed through the Arizona State Treasurer</i>			
Schools and Roads - Grants to States	10.665	None	896,395
Total U.S. Department of Agriculture			<u>1,202,860</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grant			
Total U.S. Department of Housing and Urban Development	14.218	130-13	<u>115,951</u>
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226	None	1,616,327
<u>U.S. Department of Justice</u>			
<i>Passed through the Arizona Criminal Justice Commission</i>			
State Criminal Alien Assistance Program	16.606	2012-H4136-AZ-AP	9,204
Bulletproof Vest Partnership Program	16.607	2015BUBX15078139	3,399
ARRA Recovery Act - Public Safety Partnership and Community Policing Grants	16.710	2012UMWX0012	<u>153,327</u>
Total Public Safety Partnership and Community Policing Grant			<u>165,930</u>
JAG Program Cluster:			
ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program	16.738	ARRA (DC-13-017)	90,469
ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-15-001	<u>258,105</u>
Total JAG Program Cluster			<u>348,574</u>
Total U.S. Department of Justice			<u>514,504</u>

The accompanying notes are an integral
part of this schedule.

Apache County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2015

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed through the Arizona State</i>			
<i>Department of Transportation</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction - Federal Aid Highway Program, Federal Lands Highway Program	20.205	P001-0211-002780	\$ 27,287
Total Highway Planning and Construction Cluster			<u>27,287</u>
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2014-OP-023	10,845
<i>Passed through the Governor's Office of Highway Safety</i>			
State and Community Highway Safety	20.600	2014-PT-087	155,238
Total Highway Safety Cluster			<u>166,083</u>
Total U.S. Department of Transportation			<u>193,370</u>
<u>U.S. Department of Education</u>			
<i>Passed through the Arizona Supreme Court</i>			
Special Education_Grants to States	84.027	KR12-0084	22,495
<i>Passed through the Arizona Supreme Court</i>			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	KR12-0084	22,407
<i>Passed through the Arizona Department of Education</i>			
Improving Teacher Quality State Grant	84.367	KR12-0084	5,638
Total U.S. Department of Education			<u>50,540</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through the Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	ADHS13-039571	107,065
<i>Passed through the Arizona Department of Health Services</i>			
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	ADHS14-071557	3,870
Maternal and Child Health Services Block Grant to the States	93.994	HG561262	83,730
Maternal and Child Health Services Block Grant to the States	93.994	ADHS13-034072	18,629
Total for CFDA No. 93.994			<u>102,359</u>

The accompanying notes are an integral part of this schedule.

Apache County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2015

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<i>Passed through the Arizona Department of Health Services</i>			
Public Health Emergency Preparedness	93.069	ADHS 12-007883	\$ 180,370
Total U.S. Department of Health and Human Services			<u>393,664</u>
<u>Executive Office of the President</u>			
High Intensity Drug Trafficking Areas Program	95.001	None	<u>3,210</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	2NSH8015	4,439
Total Homeland Security Grant Program			<u>4,439</u>
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	2ES01077	124,419
Total U.S. Department of Homeland Security			<u>128,858</u>
Total expenditures of federal awards			<u>\$ 4,219,284</u>

The accompanying notes are an integral
part of this schedule.

Apache County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Note 1 - Basis of Accounting

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

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipient

From the federal expenditures presented in the schedule, the County awarded the following to a subrecipient:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
Schools and Roads – Grants to States	10.665	\$ 896,395

Apache County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Yes

No

Internal control over financial reporting:

Material weaknesses identified

X

Significant deficiencies identified

X

Noncompliance material to the financial statements noted?

(None Reported)

Federal Awards

Internal control over major programs:

Material weaknesses identified

X

Significant deficiencies

X

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

X

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
10.665	Schools and Roads – Grants to States
15.226	Payments in Lieu of Taxes
	<i>JAG Program Cluster:</i>
16.738	ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low risk auditee?

X

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

X

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

The 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* was separately issued.

C. Federal Award Findings

2015-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers: All major federal programs

Program Titles and

Federal Agencies: All major federal programs

Award Years: Various

Award Numbers: Various

Compliance Requirements Affected: Reporting

Questioned Costs: None

Condition: Consistent with prior years, the County's single audit reporting package for the fiscal year ended June 30, 2015 was not submitted within nine months after the County's year-end.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily a lack of resources to properly reconcile and adjust account balances.

The effect is the untimely submission of the single audit reporting package resulting in noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the federal single audit clearinghouse.

Management Views and Corrective Action: See corrective action plan.

Schedule of Findings and Questioned Costs - Continued

2015-102 - Allocation of Forest Reserve Funds

CFDA number: 10.665

Program Titles and

Federal Agencies: U.S. Department of Agriculture, Forest Service Schools and Roads Cluster

Award year: 2012

Award Number: None

Compliance Requirements Affected: Activities Allowed

Questioned Costs: None

Condition: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$896,395 to public school districts. This finding is similar to prior years' findings for this program.

Criteria, Cause and Effect: Arizona Revised Statutes (A.R.S.) 11-497 requires counties' share of pass-through forest reserve monies from the United States to be disbursed for the benefit of public schools and public roads as the board of supervisors directs. Further, a county may allocate a disproportionate amount of forest reserve monies between public schools and public roads as long as both categories receive a real benefit. The cause is that the Apache County Board of Supervisors decided that the public schools had a greater need for the monies. The effect is that the County did not expend an portion of the grant monies on public roads and therefore was not in compliance with A.R.S. 11-497.

Recommendations: We recommend that the County distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.

Management's Views and Corrective Action: See corrective action plan.

The following is the current status of prior year federal award findings:

Apache County, Arizona
Summary Schedule of Prior Audit Findings
Year ended June 30, 2015

2012-007, 2013-101, 2014-101 – Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA number: All major federal programs

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2015-101).

2012-009, 2013-102, 2014-102 – Allocation of Forest Reserve Funds

CFDA number: All

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2015-102).

**Apache County, Arizona
Corrective Action Plan
Year ended June 30, 2015**

2015-101 Timeliness of Financial Reporting

Contact Person: Ryan Patterson

Anticipation Completion Date: Fiscal Year 2018

The County has added an additional position in order to manage work flow in order to be able to dedicate more time to financial reporting.

2015-102 Allocation of Forest Reserve Funds

Contact Person: Delwin Wengert

Anticipation Completion Date: TBD

The County's Board of Supervisors moving forward continues to maintain its stance that the money be sent to schools only and accepts Title I funds and request that the 15% to be allocated for Title II and III be sent back and used as at the discretion of the Federal Government.