

Apache County, Arizona
Single Audit Reporting Package

Year ended June 30, 2018

Apache County, Arizona
Single Audit Reporting Package
Year ended June 30, 2018

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Report Issued Separately

Annual Financial Report

Independent Auditor’s 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*

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Apache County, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apache County, Arizona (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated June 20, 2019. Our opinion on those financial statements was qualified for the Road Fund because we did not observe inventory reported in the Road Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’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 entity’s 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. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses which are listed as findings 2018-001 through 2018-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, the auditor 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items 2018-001 through 2018-003 and 2018-005 through 2018-006 in the accompanying schedule of findings and questioned costs.

County Responses to Findings

The County's responses to the findings identified in our audit are presented on pages 19 through 20. The County'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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona
June 20, 2019

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

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 *OMB 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, 2018. The County’s major federal programs are identified in the summary of audit 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 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 auditing standards generally accepted in the United States of America; 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 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 qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the County’s compliance.

Basis for Qualified Opinion on the County's Major Federal Programs

As described in the accompanying schedule of findings and questions costs, the County did not comply with the reporting requirement to submit the annual audit within nine (9) months after year-end for U.S. Department of Agriculture as described in finding 2018-101 and, the County did not comply with the special tests and provisions requirement of allocating a portion of its funding to roads for U.S. Department of Agriculture as described in finding 2018-102. Compliance with these requirements is necessary in our opinion for the County to comply with the requirements applicable to those programs.

Qualified Opinion on the County's Major Federal Program

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, 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 its major federal programs for the year ended June 30, 2018.

Other Matters

The County's responses to the findings identified in our audit are presented on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 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 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. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-101 and 2018-102, that we consider to be material weaknesses.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 20, 2019, that contained unmodified opinions on those financial statements except for the Road Fund which is qualified.

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 the Uniform Guidance 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 auditing standards generally accepted in the United States of America. 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.

Purpose of this Report

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.

Walker & Armstrong, LLP

Phoenix, Arizona
June 20, 2019

**Apache County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unmodified except for the Road Fund which is Qualified	
	Yes	No
Internal control over financial reporting:		
Material weaknesses identified	X	
Significant deficiencies identified	None Reported	
Noncompliance material to the financial statements noted?	X	

Federal Awards

Internal control over major programs:

Material weaknesses identified	X	
Significant deficiencies identified	None Reported	
Type of auditor's report issued on compliance for major programs:	Qualified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	
Identification of major programs:		

CFDA No.	Name of Federal Program or Cluster
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Forest Service Schools and Roads Cluster:

10.665	Schools and Roads – Grants to States		
Dollar threshold used to distinguish between Type A and B programs:		\$ 750,000	
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 2 CFR 200.511(b)?	X	
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Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

Finding 2018-001	Treasurer's Cash Was Not Properly Reported (Repeat Finding) (Material Weakness)
Criteria:	As set forth in the Uniform Accounting Manual for Arizona County Treasurers (UAMACT), A.R.S. §11-493 requires Arizona County Treasurers to keep an account of receipts and disbursements in the accounting records, including detailed subsidiary ledgers for each entity. Furthermore, U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UAMAC) requires the proper reporting of amounts held by the County Treasurer's investment pool between internal and external participants and agency funds.
Condition and Context:	During 2017, the County Treasurer improperly reported cash and investments in holding funds that were not properly allocated to various entities, including the County. These funds were identified, however during 2018, these funds were not corrected and reported to the correct entity.
Effect:	The effect is that the County funds and non-County entities have monies that were reported in holding funds and not allocated as required by state statute. The County Treasurer was aware that the holding accounts required correction but did not correct the accounts in a timely manner.
Cause:	The cause was a lack of adherence to policies and procedures and state statute.
Recommendation:	We recommend that the County Treasurer properly record cash receipts to the correct entity and County fund. In addition, we recommend that the County properly report balances and activity to the correct fund for financial reporting purposes.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report. This finding is similar to prior year finding 2017-001.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-002	Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)
Criteria:	Arizona Revised Statutes (A.R.S.) and Federal laws and regulations require counties to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year.
Condition and Context:	As noted in prior year's finding 2017-002, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, investments, intergovernmental receivables and deferred revenue resulted from our audit.
Cause:	The cause is a continued lack of resources and oversight devoted to the financial reporting process by the County's finance department.
Effect:	The effect is that the County did not meet its reporting obligations and County financial statement users did not have timely audited financial information necessary for decision making. Furthermore, the County has not complied with state statutes and federal regulations.
Recommendation:	We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report. This finding is similar to prior year finding 2017-002.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-003	Improve Budgetary Controls (Repeat Finding) (Material Weakness)
Criteria:	Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.
Condition and Context:	<p>During 2018, there were sixteen (16) instances in which the budgetary line items were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. As such, the County over-expended monies in the general fund and the road fund and violated state statute.</p> <p>Furthermore, although the County appears to be under budget in the general fund by \$5,267,631, the County's budget reports a contingency line of \$3,999,769 in which only \$479,988 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.</p>
Cause:	The cause is from a continued lack of resources dedicated towards the monitoring and enforcement of the annual budget.
Effect:	The effect is that the several departments are over-budget which violates state statute.
Recommendation:	We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report. This finding is similar to prior year finding 2017-003.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-004	Bank Accounts Not Properly Reconciled and Recorded (Material Weakness)
Criteria:	Section VI-C-1 of the Uniform Accounting Manual for Arizona Counties (UAMAC) requires monthly account reconciliations for all County bank accounts. The UAMAC establishes detailed procedures for accounting for reconciling items.
Condition and Context:	The County has twenty-seven (27) bank accounts of which many are maintained outside of the finance department by other County departments. Several of these bank accounts were not properly reconciled as of year-end and others were not recorded in the County finance department's accounting records.
Cause:	Lack of policies and procedures and training necessary for the timely and accurate completion of bank reconciliations. Also, the County finance department does not maintain a comprehensive list of all bank accounts held in the County's name and, the County finance department does not review the bank reconciliations for cash accounts maintained by other County departments.
Effect:	The effect is that the County's accounting records do not report the proper cash balance during the year due to either not reporting all cash accounts or reporting incorrect balances for known cash accounts. The County's cash balances are not reported correctly until after the fiscal year-end upon assistance by outside accountants including bank account identification. Accordingly, there is a significant risk of a material misstatement or fraud when bank accounts are not properly identified, reconciled and recorded.
Recommendation:	We recommend that the County maintain a list of all bank accounts held in the County's name. In addition, we recommend only allowing departments that are statutorily required to maintain separate bank accounts do so. Accordingly, we recommend closing all bank accounts held by all County departments that are not statutorily required to maintain separate bank accounts and, require those departments to make department related deposits with the County Treasurer's office. In addition, we recommend that the County review all bank reconciliations and compare the reconciled balances with the County's accounting records.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-005	Credit Card Usage and Documentation (Material Weakness)
Criteria:	Section 6.3 of the County’s policies and procedures titled “Use of County Gas/Miscellaneous Cards” states that credit cards issued to department heads, elected officials and other county employees shall only be used for official County travel expenses. These policies and procedures for County credit card purchases were created to reduce its risk of fraud, waste, and abuse and to help ensure that the public monies it spends are for an authorized County purpose in accordance with A.R.S. §35-301 and the Arizona Constitution, Article IX, Section 7.
Condition and Context:	Based on our testing of 26 credit card transactions, we noted that 13 of those transactions were questionable as to whether they were travel related expenses; some of which clearly were not of such nature including online purchases through Amazon, the Home Depot and tire shops. In addition, the credit card transactions we tested rarely documented the business purpose of the purchases and three transactions with automotive or tire shops did not identify the County vehicle that received the vendor services.
Cause:	The cause is a lack of understanding or enforcement of the County’s credit card policies sanctions of which include placing a lien against wages until the credit card charges are properly reconciled as stated in section 6.33 of the credit card policy.
Effect:	The effect is misuse of credit cards and lack of abidance with County policy with a potential noncompliance with state laws governing the use of public monies and a potential for fraudulent use or inappropriate charges that are not directly related to County business.
Recommendation:	We recommend that the County improve controls over the use of credit cards including the monitoring of credit card charges, requiring documented business purpose for all transactions, County Manager review where applicable, retrieval of credit cards from chronic abusers and imposing liens against wages until credit card activity is properly reconciled and documented. In addition, we recommend that the County communicate with and remind credit card users of the basic policies and requirements as outlined in the County’s credit card policy.
County’s Response:	The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-006	Improve Grants Management (Material Weakness)
Criteria:	Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the special revenue fund level. In certain instances, transfers of appropriations between funds may be made upon the Board of Supervisors' approval.
Condition and Context:	During 2018, there were six (6) special revenue funds in which the budgetary line items were over-expended. Sufficient procedures have not been implemented to monitor the County's special revenue funds and the initiation of transfers, as needed. The three largest over-expenditures were the immunization fund, accent attorney fund, and the accent sheriff fund causing each of these funds to have deficit balances.
Cause:	The cause is from a continued lack of resources dedicated towards the monitoring of expenditures in relation to available grant funding and the related budget of the special revenue funds.
Effect:	The effect is that the several special revenue funds are over-expended resulting in deficit balances.
Recommendation:	We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's special revenue funds. We also recommend that the County initiate the transfer process when a special revenue fund is over-expending to avoid deficit fund balances.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Finding

Finding 2018-101	Single Audit Reporting Package Not Filed Timely (Repeat Finding) (Material Weakness)
CFDA Number:	10.665
Cluster Title:	Forest Service Schools and Roads Cluster
Program Title:	Schools and Roads – Grants to States
Federal Agency:	U.S. Department of Agriculture
Award Year:	2018
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None
Criteria:	The terms of the County’s federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditees’ fiscal year-end.
Condition and context:	The County’s single audit reporting package for the fiscal year ended June 30, 2018 was not submitted to the Federal Audit Clearinghouse within nine months after the County’s year-end.
Cause:	The cause was a continued lack of resources devoted to the accounting and year-end closing.
Effect:	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 Audit Clearinghouse.
County’s Response:	The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report. This finding is similar to prior year finding 2017-101.

Schedule of Findings and Questioned Costs - Continued

Finding 2018-102	Allocation of Forest Reserve Funds (Material Weakness)
CFDA Number:	10.665
Cluster Title:	Forest Service Schools and Roads Cluster
Program Title	Schools and Roads – Grants to States
Federal Agency:	U.S. Department of Agriculture
Award Year:	2018
Award Number:	None
Compliance Requirements:	Special Tests and Provisions
Question Costs:	None
Criteria:	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.
Condition and context:	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 \$780,522 to public school districts.
Cause:	The cause is that the Apache County Board of Supervisors decided that the public schools had a greater need for the monies.
Effect:	The effect is that the County did not expend a portion of the grant monies on public roads and therefore knowingly continues to violate state statute.
Recommendation:	We recommend that the County stop violating state statute and distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.
County's Response:	The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Apache County, Arizona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	ADHS16-106455	\$ 68,377	\$ -
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS14-053047	89,478	-
<i>Passed through the Arizona Department of Forestry and Fire Management</i>				
Cooperative Forestry Assistance	10.664	17-PA-11030104-006; 16DG-11031600-021; 16DG-11031600-024	34,625	-
Forest Service Schools and Roads Cluster				
<i>Passed through the Arizona Department of Forestry and Fire Management</i>				
Schools and Roads - Grants to States	10.665	17-RO-11030115-001	50,000	-
<i>Passed through the Arizona State Treasurer</i>				
Schools and Roads - Grants to States	10.665	None	<u>780,522</u>	-
Total Forest Service Schools and Roads Cluster			<u>830,522</u>	-
<i>Total U.S. Department of Agriculture</i>			<u>1,023,002</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grant	14.228	137-17; 138-17	<u>149,925</u>	-
<i>Total U.S. Department of Housing and Urban Development</i>			<u>149,925</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	DPS No 2018-224; FED 2016-VA-GX-0046	30,357	
<i>Passed through the Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-18-20	33,793	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-18-001	<u>90,110</u>	-
Total for CFDA No. 16.738			<u>123,903</u>	-
<i>Total U.S. Department of Justice</i>			<u>154,260</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through the Governor's Office of Highway Safety</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	2018-AL-002; 2018-PTS-001; 2018-PTS-082	<u>38,997</u>	-
<i>Total U.S. Department of Transportation</i>			<u>38,997</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

Apache County, Arizona
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended June 30, 2018

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Arizona Department of Health Services</i>				
Public Health Emergency Preparedness	93.069	ADHS17-133163	\$ 206,160	\$ -
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	93.539	ADHS13-039571	35,449	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SABG-GR-18-070117-01	7,622	-
<i>Passed through the Arizona Department of Health Services</i>				
Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.977	ADHS14-071557	5,404	-
Maternal and Child Health Services Block Grant to the States	93.994	ADHS13-034072	18,383	-
Maternal and Child Health Services Block Grant to the States	93.994	ADHS15-094274	<u>73,532</u>	-
Total for CFDA No. 93.994			<u>91,915</u>	-
<i>Total U.S. Department of Health and Human Services</i>			<u>346,550</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMF-2017-EP-00008-SO1	123,708	-
Pre-Disaster Mitigation	97.047	PDMC-PJ-09-AZ-2013-006	<u>44,229</u>	-
<i>Total U.S. Department of Homeland Security</i>			<u>167,937</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 1,880,671</u>	<u>\$ -</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, 2018

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Apache County, Arizona 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 modified 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 County did not use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.



RYAN PATTERSON
COUNTY MANAGER/CLERK OF THE BOARD
ST. JOHNS, AZ 85936

BOARD OF SUPERVISORS OF APACHE COUNTY

P.O. BOX 428
ST. JOHNS, ARIZONA 85936

TELEPHONE: (928) 337-7503
FACSIMILE: (928) 337-2003

JOE SHIRLEY, JR.
CHAIRMAN OF THE BOARD
DISTRICT I
P.O. Box 1952, Chinle, AZ 86503

ALTON JOE SHEPHERD
MEMBER OF THE BOARD
DISTRICT II
P.O. Box 994, Ganado, AZ 86505

TRAVIS SIMSHAUSER
VICE-CHAIRMAN
DISTRICT III
P.O. Box 428, St. Johns, AZ 85936

Corrective Action Plan

Year ended June 30, 2018

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* (Uniform Guidance). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

Financial Statement Findings:

Finding 2018-001 – Treasurer’s Cash Was Not Properly Reported (Repeat Finding) (Material Weakness)

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional procedure have been put in place to properly record cash receipts to the correct entity.

Anticipated Completion Date: July 2019

Finding 2018-002 – Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional resources have been devoted to the financial reporting and audit process.

Anticipated Completion Date: September 2019

Corrective Action Plan - Continued

Finding 2018-003 – Improve Budgetary Controls (Repeat Finding) (Material Weakness)

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional procedures have been implemented to ensure budget capacity before issuing payment.

Anticipated Completion Date: July 2019

Finding 2018-004 – Bank Accounts Not Properly Reconciled and Recorded

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: We will update the procedure to open new accounts and review current accounts to determine if they are statutorily required.

Anticipated Completion Date: September 2019

Finding 2018-005 – Credit Card Usage and Documentation

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: We will update our policy and procedures and communicate with those users on the policy.

Anticipated Completion Date: September 2019

Finding 2018-006 - Improve Grant Management

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional procedures will be implemented so that budget requirements are enforced.

Anticipated Completion Date: July 2019

Corrective Action Plan - Continued

Federal Award Findings:

Finding 2018-101 – Single Audit Reporting Package Not Files Timely

CFDA Number: 10.665
Program Title: Schools and Roads – Grants to States
Federal Agency: U.S. Department of Agriculture
Award Year: 2018
Award Number: None
Compliance Requirement: Reporting
Contact Name: Timothy Hinton, Finance Director
Corrective Action Planned: Additional policies and procedures have been implemented to facilitate and improve the financial reporting process.
Anticipated Completion Date: July 2019

Finding 2018-102 - Allocation of Forest Reserve Funds

CFDA Number: 10.665
Program Title: Schools and Roads – Grants to States
Federal Agency: U.S. Department of Agriculture
Award Year: 2018
Award Number: None
Compliance Requirement: Reporting
Contact Name: Timothy Hinton, Finance Director
Corrective Action Planned: The County finance director will review the needs the county’s roads and schools and make a recommendation to the board on an appropriate allocation of the forest reserve funds.
Anticipated Completion Date: TBD



RYAN PATTERSON
COUNTY MANAGER/CLERK OF THE BOARD
ST. JOHNS, AZ 85936

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**Summary Schedule of Prior Audit Findings
Year ended June 30, 2018**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Apache County, Arizona

We have prepared the following 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. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Status of Financial Statement Findings

**Finding 2017-001 Treasurer's Cash Was Not Properly Reconciled and Reported
(Material Weakness)**

Criteria: As set forth in the Uniform Accounting Manual for Arizona County Treasurers (UAMACT), A.R.S. §11-493 requires Arizona County Treasurer's to keep an account of receipts and disbursements in the accounting records, including detailed subsidiary ledgers for each entity. Furthermore, U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UAMAC) requires the proper reporting of amounts held by the County Treasurer's investment pool between internal and external participants and agency funds.

Status: **Partially corrected, see finding 2018-001**

Summary Schedule of Prior Audit Findings - Continued

Finding 2017-002 **Untimely Account Reconciliation and Financial Statement Preparation (Material Weakness)**

Criteria: Counties are required by Arizona Revised Statutes (A.R.S.) and Federal laws and regulations to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year.

Status: **Not corrected, see finding 2018-002**

Finding 2017-003 **Improve Budgetary Controls (Material Weakness)**

Criteria: Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Status: **Not corrected, see finding 2018-003**

Status of Federal Award Findings and Questioned Costs

Finding 2017-101 **Single Audit Reporting Package Not Filed Timely (Material Weakness)**

CFDA Number: 15.226

Program Title: Payments in Lieu of Taxes

Condition and Context:

The County's single audit reporting package for the fiscal year ended June 30, 2017 was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end.

Status: **Not Corrected, see finding 2018-101**