

GILA COUNTY, ARIZONA
SINGLE AUDIT
YEAR ENDED JUNE 30, 2011

**GILA COUNTY, ARIZONA
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YEAR ENDED JUNE 30, 2011**

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Report Issued Separately:
Annual Financial Report



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**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

Board of Supervisors of
Gila County
Globe, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gila County (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 14, 2012. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54 and for reporting the Landfill Fund as a proprietary fund instead of in the General Fund. We conducted our audit 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.

Internal Control over Financial Reporting

The County's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gila County's internal control over financial reporting as a basis for designing our auditing procedures 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 Gila County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gila County's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 County's basic financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-15 to be material weaknesses.

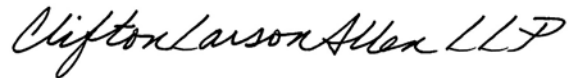
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gila County's basic financial statements are free of 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*.

We also noted certain matters that we reported to management of Gila County in a separate letter dated March 14, 2012.

Gila County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Gila County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, management, the Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Mesa, Arizona
March 14, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Auditor General of the State of Arizona

Board of Supervisors of
Gila County
Globe, Arizona

Compliance

We have audited Gila County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gila County's major federal programs for the year ended June 30, 2011. Gila County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on Gila County's compliance based on our audit.

Except as discussed in the following paragraph, 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 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 Gila 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. Our audit does not provide a legal determination of Gila County's compliance with those requirements.

As described in item 2011-16 in the schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the County's compliance with the procurement, suspension and debarment provisions applicable to its Secure Payments for States and Counties Containing Federal Lands Grant (CFDA No. 10.665) and the procurement, suspension and debarment and Davis-Bacon Act provisions applicable to its Highway Planning and Construction Cluster (CFDA No. 20.205), nor were we able to satisfy ourselves as to Gila County's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Gila County's compliance with the requirements of Secure Payments for States and Counties Containing Federal Lands, procurement, suspension and debarment provisions, and the procurement, suspension and debarment and Davis-Bacon Act provisions applicable to its Highway Planning and Construction Cluster, Gila County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-17, 2011-18, and 2011-20 to 2011-21.

Internal Control over Compliance

Management of Gila County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gila County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Gila County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-16 and 2011-19 to be material weaknesses.

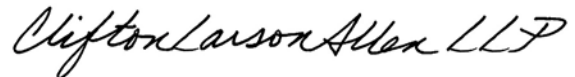
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-17, 2011-18 and 2011-20 through 2011-22 to be significant deficiencies.

Gila County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Gila County's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gila County as of and for the year ended June 30, 2011, and have issued our report thereon dated March 14, 2012. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54 and for reporting the Landfill Fund as a proprietary fund instead of in the General Fund. Our audit was performed for the purpose of forming 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislator, the Auditor General of the State of Arizona, management, the Board of Supervisors, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Mesa, Arizona
March 14, 2012

**GILA COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861141, HG050277	\$ 354,876
Commodity Supplemental Food Program	10.555	HG861159-2, HG861159-3	5,003
Secure Payments for States and Counties Containing Federal Lands	10.665	N/A - Direct	\$ 1,899,870
Passed through the U.S. Forest Service, Apache-Sitgreaves National Forest			
Secure Payments for States and Counties Containing Federal Lands	10.665	10-DG11030121018	33,980
Secure Payments for States and Counties Containing Federal Lands	10.665	11-DG-11030121-005	493,298
Total Secure Payments for States and Counties Containing Federal Lands Cluster			<u>2,427,148</u>
Passed through the U.S. Forest Service, Tonto National Forest			
Forest Service Pavement Maintenance Project	10.Unknown	None	163,409
Total U.S. Department of Agriculture			<u>2,950,436</u>
U.S. Department of Commerce			
Passed through the Arizona State Libraries Archives and Public Records			
Broadband Technology Opportunities Program	11.557	BTop111052010	2,750
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers			
	14.871	N/A - Direct	320,635
Passed through the Arizona Department of Economic Security			
Emergency Shelter Grants Program	14.231	DE111073001	6,582
Passed through the Arizona Department of Housing			
ARRA - Homeless Prevention and Rapid Re-Housing Program			
Community Development Block Grant Cluster	14.262	506-10	144,412
Community Development Block Grant	14.228	150-09	38,767
Community Development Block Grant	14.228	174-10	48,302
ARRA - Community Development Block Grant	14.255	112-10R	87,704
Passed through the City of Globe			
Community Development Block Grant	14.228	146.09	9,483
Total Community Development Block Grant Cluster			<u>184,256</u>
Total U.S. Department of Housing and Urban Development			<u>655,885</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes			
	15.226	N/A - Direct	3,023,345
Passed through the the U.S. Forest Service, Tonto National Forest			
Challenge Cost Share	15.238	09-CS-110301200-015	124,504
Total U.S. Department of the Interior			<u>3,147,849</u>
U.S. Department of Justice			
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-11-052	9,495
Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	VA-11-020	17,600
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	DC10-027, DC-10-036	371,520
Total Justice Assistance Grant Program Cluster			<u>389,120</u>
Total U.S. Department of Justice			<u>398,615</u>
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	DE091206001, DE111006001, DE101045001	505,844
WIA Youth Activities	17.259	DE091206001, DE111006001, DE101045001	618,732
WIA Dislocated Workers	17.260	DE091206001, DE111006001, DE101045001	1,168,182
ARRA WIA Adult Program	17.258	DE091206001, DE111006001, DE101045001	101,467
ARRA WIA Youth Activities	17.259	DE091206001, DE111006001, DE101045001	51,136
ARRA WIA Dislocated Workers	17.260	DE091206001, DE111006001, DE101045001	234,564
Total Workforce Investment Act Cluster			<u>2,679,925</u>
Incentive Grants - WIA Section 503	17.267	DE070295001, DE091206001, DE081297001, E5706004	37,721
Total U.S. Department of Labor			<u>2,717,646</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

GILA COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	IGA/JPA 08-1321, IGA/JPA 10-161	\$ 1,416,023
ARRA Highway Planning and Construction	20.205	IGA/JPA 09-128	36,806
Total U.S. Department of Transportation			<u>1,452,829</u>
Federal Library Services Technology Act			
Passed through the Arizona State Library, Archives and Public Records			
Library Services and Technology Grant	45.310	2010-300098-01, 2010-39046-4, 11-A-4	68,000
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low Income Persons	81.042	C052-09-02, G043-10-02	241,164
ARRA - Weatherization Assistance for Low Income Persons	81.042	C037-09-02	840,399
Total U.S. Department of Energy			<u>1,081,563</u>
U.S. Department of Education			
Impact Aid	84.041	N/A - Direct	134,738
Passed through the Arizona Governor's Office of Economic Recovery			
ARRA - State Fiscal Stabilization Fund	84.394	GOER-FY2010-506-E	\$ 16,034
ARRA - State Fiscal Stabilization Fund	84.394	OER-11-IGA-GS-30	230,769
ARRA - State Fiscal Stabilization Fund	84.394	OER-11-IGA-GS-143	50,000
Total ARRA - State Fiscal Stabilization Fund Cluster			<u>296,803</u>
ARRA - Education Jobs Fund	84.410	ISA OER-11 ISA-EJ-001	28,327
Passed through the Arizona Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A090003	36,752
English Language Acquisition Grants	84.365	S365A090003	12,366
Mathematics and Science Partnerships	84.366	S366B080003, S366B090003	428,514
Adult Education--Basic Grants to States	84.002	V002A100003	71,595
Rural Education	84.358	S358B090003	1,614
Passed through the Arizona Department of Education			
Special Education Cluster:			
Special Education - Grants to State	84.027	H027A100007	14,739
ARRA Special Education	84.391	H391A090007	134
Passed through the Arizona Supreme Court			
Special Education - Grants to State	84.027	IGA	31,077
ARRA Special Education	84.391	IGA	7,820
Total Special Education Cluster			<u>53,770</u>
Passed through the Arizona Department of Education			
Education Technology State Grant Cluster:			
Education Technology State Grants	84.318	S318X090003	172
ARRA - Education Technology State Grants	84.386	S386A090003	484
Passed through Pima County			
Enhancing Education Through Technology	84.318	11FETSTP-160950-02A	72,093
Total Education Technology State Grant Cluster:			<u>72,749</u>
Passed through the Arizona Supreme Court			
Title I Program for Neglected and Delinquent Children	84.013	29823	20,246
Improving Teacher Quality State Grants	84.367	S367A090049	
Improving Teacher Quality State Grants	84.367	29823	6,718
Passed through the Arizona Department of Education			
Improving Teacher Quality State Grants	84.367	S367A00049	83,135
Total Improving Teacher Quality State Grants			<u>89,853</u>
Total U.S. Department of Education			<u>1,247,327</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
Public Health Preparedness & Response for Bioterrorism	93.069	HG754195	248,052
Affordable Care Act Abstinence Education Program	93.235	E1H38059	1,000
Immunization Grants Cluster:			
Immunization Grants	93.268	HG8525428-0	25,000
ARRA Immunizations	93.712	HG854284	23
Total Immunization Grants Cluster			<u>25,023</u>
HIV Prevention Activities -- Health Department Based	93.940	HG852277-1	4,858
Maternal and Child Health Services Block Grant, Special Needs	93.994	HG854246-2, HG854246-3, HP961245-003	21,856

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

GILA COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services (Continued)			
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	DE111073001	\$ 139,297
Child Support Enforcement	93.563	DES06726-1, DE111165001	1,109,027
Low-Income Home Energy Assistance	93.568	DE111073001	303,197
Community Services Block Grant Cluster:			
Community Services Block Grant	93.569	DE111073001	\$ 93,298
ARRA - Community Services Block Grant	93.710	DE111073001	<u>21,375</u>
Total Community Services Block Grant Cluster			114,673
Social Services Block Grant	93.667	DE111073001	19,172
HIV Care Formula Grants	93.917	HP652141-001-0	<u>66,479</u>
Total U.S. Department of Health and Human Services			<u>2,052,634</u>
U.S. Department of Homeland Security:			
Passed through the Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	777305-01, 777305-02, 444307-02	162,799
Passed through the Arizona Department of Emergency Services and Military Affairs			
		EMW-2011-EP-APP-00006	
Emergency Management Performance Grant	97.042	EMP-2011 RC-001-ADEM RFC-09 AZ- 2010	<u>192,127</u>
Total U.S. Department of Homeland Security			<u>354,926</u>
Total Expenditures of Federal Awards			<u>\$ 16,130,460</u>

See accompanying notes to schedule of expenditures of federal awards.

**GILA COUNTY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

NOTE 1 BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Gila County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with 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 THE REPORTING ENTITY

Gila County, Arizona, for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*.

Gila County, Arizona, administers certain federal financial assistance programs through sub-recipients. Those sub-recipients are not considered part of the Gila County, reporting entity.

NOTE 3 SUBRECIPIENTS

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipient</u>
Workforce Investment Act - Adult and Youth Programs	17.258 & 17.259 & 17.267	\$ 1,073,286
Secure Payments for States and Counties Containing Federal Lands	10.665	1,599,002

NOTE 4 RECOVERY ACT

ARRA denotes the program has received funding provided by the American Recovery and Reinvestment Act of 2009.

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued:	<i>Unqualified</i>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
• Significant deficiency(ies) identified?	<u> </u>	yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> X </u> no

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
• Significant deficiency(ies) identified?	<u> X </u>	yes	<u> </u> none reported

Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs, except for the Secure Payments for States and Counties Containing Federal Lands (CFDA No. 10.665) and the ARRA Highway Planning and Construction Cluster (CFDA No. 20.205), which were qualified.
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u>	yes	<u> </u> no
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**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

Federal Awards (Continued)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.665	Secure Payments for States and Counties Containing Federal Lands
15.226	Payments in Lieu of Taxes
16.738	Justice Assistance Grant Program Cluster: Edward Byrne Memorial Justice Assistance Grant
16.803	ARRA Edward Byrne Memorial Justice Assistance Grant
17.258, 17.259 & 17.260	Workforce Investment Act Cluster
20.205	ARRA Highway Planning and Construction Cluster
81.042	ARRA Weatherization Assistance for Low- Income Persons
93.563	Child Support Enforcement

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

\$483,914

Auditee qualified as low-risk auditee?

_____ yes X no

Other Matters

Auditee Summary Schedule of Prior Audit
Findings required to be reported in accordance
with Circular A-133 (Section .315(b))

 X yes _____ no

GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-01: Oversight of the Financial Reporting Process

Condition: The County does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management contracted with the auditors to draft the financial statements and related disclosures.

The audit firm proposed entries to properly state cash, receivables, revenues and inter-fund activity at June 30, 2011. The audit firm also proposed the government-wide adjustments to convert the fund financial statements to the government-wide financial statements. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control processes.

Criteria: The County should have controls in place to prevent and detect a material misstatement in the financial statements, including adequately reviewing the year-end financial statements to ensure account balances are properly stated and for ensuring the financial statements include all required disclosures.

Effect: Significant audit adjustments were proposed and subsequently approved by management to properly state year-end balances in the fund and government-wide financial statements.

Cause: The County has not established controls to ensure accounts are adjusted to their appropriate year-end balances in accordance with GAAP. The County relies on contracted professionals to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Recommendation: We recommend the County continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure accounts are properly stated at year-end in accordance with GAAP. Additionally, we recommend that the County review these adjustments and modify year-end reconciling procedures in an effort to avoid similar adjustments next year.

Lastly, should the County elect to establish the "full oversight" of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us and approve the entries; review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approve schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management, including a recalculation of major funds.

Corrective Action: The County concurs with this recommendation and will reconcile all year-end account balances in the future. The County will also consider the recommendation in order to take "full oversight" of the financial statement preparation and will consult with its auditors to remedy this finding.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-02: Accounts Payable and Receivable Ledgers

Condition: The accounts payable and receivable subsidiary ledgers were not reconciled to the general ledger.

Criteria: The County should have controls in place to reconcile general ledger activity to the subsidiary accounts payable and accounts receivable ledger to prevent and detect material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements, including reconciling accounts payable and accounts receivable to the subsidiary ledger and investigating any variances from the general ledger.

Effect: Opportunity for errors in financial reporting.

Cause: The County has not established controls to reconcile the accounts payable and accounts receivable subsidiary ledgers to the general ledger.

Recommendation: We recommend the County continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure subsidiary ledgers are reconciled to the general ledger.

Corrective Action: The County concurs with this recommendation and will review its current procedures and will develop internal controls to ensure compliance in the upcoming fiscal year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-03: Departmental Bank Accounts

Condition: County departments receiving checks have established separate checking accounts to be used as a clearing account. On a monthly basis, the cash from these checking accounts is deposited with the Treasurer's office. The June collections deposited in July were not always indicated as such and therefore not recorded in the proper fiscal year. Cash retained in the department bank accounts is tracked, however not reported as cash in the County's financial statements.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions. Departmental cash balances should be reported to finance at year end to ensure they are properly included in ending cash.

Effect: Opportunity for errors in financial reporting.

Cause: The County has operated in this manner for the past several years without changed its accounting practice.

Recommendation: We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and develop internal control policies to ensure all cash balances and transactions are included in the financial activity at the end of the year.

Corrective Action: The County concurs with this recommendation and will review its current procedures and will develop internal controls to ensure compliance in the upcoming fiscal year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-04: Physical Inventory of Supplies

Condition: Public works maintains an ongoing inventory of supplies; however, a count is not performed at or near fiscal year end and the department is not able to generate an inventory report at fiscal year end.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions. Proper asset accountability requires that detailed records of inventory be maintained. Physical counts of inventory contribute to accurate and reliable inventory records.

Effect: Opportunity for errors in financial reporting.

Cause: The County did not have internal controls established to ensure a physical inventory of public works supplies was conducted at fiscal year end.

Recommendation: We recommend County management conduct a physical inventory of capital supplies inventory annually at or near fiscal year end and investigate and resolve any variances.

Corrective Action: The County concurs with this recommendation and will conduct a physical inventory of supplies inventory annually.

Contact Person: Joseph Heatherly, Finance Director

2011-05: Rural School District – Segregation of Duties

Condition: The County does not have adequate segregation of duties at the Rural School District. The recordkeeping and custody of assets functions are performed by one individual.

Criteria: County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few number of individuals is not desirable from an internal control perspective.

Effect: A lack of segregation of duties may result in the County's inability to prevent or detect material misappropriation of County assets.

Cause: Limited number of personnel.

Recommendation: We recommend County management be aware of the lack of segregation of duties and assess whether additional segregation of duties is cost beneficial. If additional segregation is not feasible, we recommend County management implement oversight procedures to ensure the internal control policies and procedures are being followed by County staff.

Corrective Action: The County concurs with this recommendation and will review its current procedures and will develop internal controls to ensure compliance in the upcoming fiscal year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-06: County and Rural School District– Internal Controls over Payroll Transactions

Condition: The County was unable to provide payroll authorization forms indicating the account code employees are assigned for 13 of 20 Rural School District personnel files tested. Timesheets were not approved by management for 3 of 60 County payroll transactions tested.

Criteria: County management should have procedures designed that require employees to document the completion of key internal controls, including signing documents indicating supervisor review.

Effect: Documentation was not available to determine designed controls were being performed by employees.

Cause: Unknown.

Recommendation: We recommend County management review the internal controls over the payroll process and develop procedures to strengthen the current process. Payroll authorization forms should indicate the general ledger account code for the program being charged and should indicate approval by management. Timesheets should be reviewed for accuracy by management.

Corrective Action: The County concurs with this recommendation and implemented controls over the payroll account coding during the fiscal year. The current process will be reviewed to ensure compliance in the upcoming year.

Contact Person: Joseph Heatherly, Finance Director

2011-07: Education Service Agency (ESA) and Rural School District– Internal Controls over Disbursements

Condition: The County was unable to provide documentation of management review and approval for 2 of 40 ESA and 25 of 40 Rural School District purchase requisitions tested.

Criteria: The County's management is responsible for establishing and maintaining internal controls to ensure all purchases are adequately reviewed and approved prior to purchase.

Effect: Documentation was not available to determine designed controls were being performed by management.

Cause: Unknown.

Recommendation: In order to strengthen internal controls, all requisitions should be reviewed and approved by management prior to purchasing goods and/or services.

Corrective Action: The County concurs with this recommendation and will review requisitions in order to strengthen internal controls.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-08: Rural School District– Internal Controls over Disbursements

Condition: The County was unable to provide an approved receiving report for 2 of 20 Rural School District disbursements tested. Without a receiving report the County is unable to provide documentation of the verification of goods received.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions.

Effect: Documentation was not available to determine designed controls were being performed by employees.

Cause: Unknown.

Recommendation: In order to strengthen internal controls, a receiving report should be prepared to indicate the receipt of goods in satisfactory condition.

Corrective Action: The County concurs with this recommendation and will work with receiving personnel to ensure a receiving report is prepared.

Contact Person: Joseph Heatherly, Finance Director

2011-09: Internal Controls over Credit Card Disbursements

Condition: The County was unable to provide an invoice supporting credit card purchases for 5 of 50 credit card disbursements tested. Without an invoice the County is unable to provide documentation that the purchase was allowable and reasonable. For 1 of 50 credit card disbursements tested, the purchase was not approved.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions.

Effect: Documentation was not available to determine designed controls were being performed by employees.

Cause: Unknown.

Recommendation: In order to strengthen internal controls, invoices should be obtained for all credit card purchases to ensure that purchases are allowable and reasonable. Credit card receipts should be reconciled to credit card statements and approved.

Corrective Action: The County concurs with this recommendation and will work with personnel to ensure credit card receipts are obtained and reconciled to credit card statements.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-10: County, ESA and Rural School District– Journal Entries

Condition: The County was unable to provide evidence that journal entries were reviewed and approved by an employee independent of the journal entry preparation prior to system input for 2 of 6 County, 1 of 5 ESA and 2 of 5 Rural School District journal entries tested. In addition, documentation was not maintained to support the Rural School District journal entries.

Criteria: The duties of journal entry preparation and journal entry review and approval should be segregated. In addition, documentation should be maintained to support the purpose of the journal entry.

Effect: Internal control weakness. Fraudulent or erroneous journal entries could be entered into the accounting system and go undetected and uncorrected.

Cause: Unknown.

Recommendation: We recommend that County management take the proper steps to ensure the duties of journal entry preparation and approval are segregated. In addition, the County should implement procedures to ensure that all journal entries are supported by adequate documentation.

Corrective Action: The County concurs with this recommendation and will develop policies and procedures over the journal entry process.

Contact Person: Joseph Heatherly, Finance Director

2011-11: County–Policies

Condition: The County does not have written journal entry policies or procedures.

Criteria: Internal control procedures would dictate that policies and procedures over journal entries are necessary to prevent and detect a material misstatement.

Effect: Policies and procedures provide a framework in which internal controls should be designed and implemented. The lack of such policies and procedures weakens internal controls over journal entries due to the County not addressing key controls over financial statement assertions.

Cause: Past practice.

Recommendation: We recommend that County management write a policies and procedures manual to cover journal entry functions.

Corrective Action: The County concurs with this recommendation and has developed policies and procedures over journal entries.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-12: ESA-Policies

Condition: The ESA does not have written payroll and accounts payable disbursements policies or procedures. Personnel manuals and accounting manuals were not maintained.

Criteria: Internal control procedures would dictate that policies and procedures over payroll and general disbursements are necessary to prevent and detect a material misstatement.

Effect: Policies and procedures provide a framework in which internal controls should be designed and implemented. The lack of such policies and procedures weakens internal controls over payroll and accounts payable processing due to the County not addressing key controls over financial statement assertions.

Cause: Past practice.

Recommendation: We recommend that County management write a policies and procedures manual to cover payroll and accounting functions.

Corrective Action: The County concurs with this recommendation and will formalize an accounting policy that addresses key financial statement assertions. The ESA is in the process of drafting policies.

Contact Person: Joseph Heatherly, Finance Director

2011-13: Disaster Recovery Plan

Condition: The County does not have a written disaster recovery plan.

Criteria: Internal control frameworks recommend that organizations have plans and procedures in place to address information technology needs in the event of a disaster, including: location of, and access to, off-site data storage; a list of all data files that would have to be obtained from the off-site storage location; identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing, responsibilities of various personnel in an emergency, and priority of critical applications and reporting requirements during an emergency period.

Effect: In case of a disaster the County may be at an increased risk of losing critical financial data or other data critical to operations. The County may also have difficulty establishing minimum operations if a disaster were to occur.

Cause: Past practice.

Recommendation: We recommend the County update and expand its plans and procedures relating to business resumption in the event of a disaster.

Corrective Action: The County concurs with this recommendation and will review its current policy and develop a policy and action plan in the event of a disaster.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-14: Internal Controls over Revenues

Condition: The County does not have adequate controls over revenues to ensure that all material revenues are properly accrued in the financial statements.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions.

Effect: Significant audit adjustments were proposed and subsequently approved by management to properly state year-end balances in the fund and government-wide financial statements.

Cause: The County has not established controls to ensure accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Recommendation: We recommend the County review revenue cutoff procedures to ensure that revenues are recorded in the proper fiscal year.

Corrective Action: The County concurs with this recommendation and will review cutoff procedures and develop internal controls as appropriate.

Contact Person: Joseph Heatherly, Finance Director

2011-15: Internal Controls over Capital Assets

Condition: The County does not have adequate controls over capital assets to ensure capital assets are properly reconciled to the prior year audited financial statements. In addition, capital expenditures were not always capitalized and disposals were not always removed from the listing when sold.

Criteria: The County's management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions.

Effect: Significant audit adjustments were proposed and subsequently approved by management to properly state capital asset balances in the government-wide and proprietary fund financial statements.

Cause: The County has not established controls over capital assets to ensure the capital assets listing is updated for acquisitions and disposals at least annually.

Recommendation: We recommend the County review capital asset procedures to ensure that the capital assets listing is updated for acquisitions and disposals at least annually and reconciled to the prior year ending balances.

Corrective Action: The County concurs with this recommendation and will review the capital assets procedures and develop internal controls as appropriate.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE

SECURE PAYMENTS FOR STATES AND COUNTIES CONTAINING FEDERAL LANDS

CFDA No. 10.665

DIRECT GRANT AND PASSED THROUGH THE U.S. FOREST SERVICE, APACHE-SITGREAVES NATIONAL FOREST

PASS THROUGH NUMBER 10-DG11030121018 AND 11-DG-11030121-005

U.S. DEPARTMENT OF TRANSPORTATION

HIGHWAY PLANNING AND CONSTRUCTION CLUSTER

CFDA No. 20.205

PASSED THROUGH THE ARIZONA DEPARTMENT OF TRANSPORTATION

PASS THROUGH NUMBER IGA/JPA 08-1321, IGA/JPA 10-161, IGA/JPA 09-128

2011-16

Condition/Context: The County did not retain grant documentation to support compliance with provisions of the grant agreements.

Criteria: Grant documentation shall be retained to demonstrate compliance with provisions of grant agreements.

Effect: For the Secure Payments for States and Counties Containing Federal Lands, compliance with procurement, suspension and debarment could not be determined. In addition, although the compliance supplement did not require adherence to the Davis-Bacon Act, the grant agreement required adherence to the Davis-Bacon Act and documentation was not maintained to determine compliance with the grant agreement.

For the Highway Planning and Construction Cluster, compliance with procurement, suspension and debarment and the Davis-Bacon Act could not be determined.

Questioned Cost: Undeterminable.

Cause: The County was the grantee and used both grants to pay the Arizona Department of Transportation (ADOT) to perform all work related to a roadway project. The County did not request documentation from ADOT to determine adherence to the provisions of the grant agreement.

Recommendation: We recommend County management review the internal controls over grant management and implement procedures to ensure grant documentation is retained.

Corrective Action: The County concurs with this recommendation and will implement controls over grant management to ensure that the appropriate documentation is retained. The County is in the process of obtaining information from ADOT to support adherence to the provisions of the grant agreement.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**U.S. DEPARTMENT OF JUSTICE
JUSTICE ASSISTANCE GRANT PROGRAM CLUSTER
CFDA No. 16.738 & 16.803
PASSED THROUGH THE ARIZONA CRIMINAL JUSTICE COMMISSION
PASS THROUGH NUMBER DC 10-027, DC-10-036, AND VA-11-020**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD SUPPORT ENFORCEMENT
CFDA No. 93.563
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DES06725-1, DE111165001 AND DES06726-1**

2011-17

Condition: Federal financial and performance reports were not completed and submitted to the Arizona Criminal Justice Commission. Federal financial and performance reports were not reviewed by supervisory personnel prior to submission to the Arizona Department of Economic Security.

Context: For 4 of 4 Byrne Grant Section 1512 reports tested, reports were not completed and submitted; 4 of 4 Byrne Grant Cycle 23 reports tested were not completed and submitted; and 2 of 3 Child Support Enforcement financial statistical reports tested were not reviewed by supervisory personnel prior to submission.

Criteria: The grant agreement and entities receiving federal awards are required to establish and maintain internal controls designed to ensure compliance with federal laws, regulations, and program compliance

Effect: Noncompliance with the grant agreement and as a result of a lack of review of financial and performance reports, there is an increased risk that financial and performance reports will be submitted to a third party with errors.

Questioned Cost: None.

Cause: County oversight.

Recommendation: We recommend the County establish and maintain internal controls over grant financial and performance reports. Reports submitted to a third party should be reviewed by supervisory personnel with knowledge of grant operations.

Corrective Action: The County concurs with this recommendation and will establish and maintain internal controls over grant reporting; those controls will be immediately implemented to ensure compliance for the fiscal year 2011-12.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**U.S. DEPARTMENT OF JUSTICE
JUSTICE ASSISTANCE GRANT PROGRAM CLUSTER
CFDA No. 16.738 & 16.803
PASSED THROUGH THE ARIZONA CRIMINAL JUSTICE COMMISSION
PASS THROUGH NUMBER DC 10-027, DC-10-036, AND VA-11-020**

**U.S. DEPARTMENT OF TRANSPORTATION
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER
CFDA No. 20.205
PASSED THROUGH THE ARIZONA DEPARTMENT OF TRANSPORTATION
PASS THROUGH NUMBER IGA/JPA 08-1321, IGA/JPA 10-161, IGA/JPA 09-128**

**U.S. DEPARTMENT OF ENERGY
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS
CFDA No. 81.042
PASSED THROUGH THE ARIZONA DEPARTMENT OF COMMERCE
PASS THROUGH NUMBER C037-09-02, C052-09-02 AND G043-10-02**

2011-18

Condition: Cash management reports were not submitted timely and were not reviewed by supervisory personnel prior to submission.

Context: Cash management reports were not submitted timely for 7 of 12 cash management reports for the DC-10-036 Justice Assistance Grant Program Cluster. Cash management reports were not reviewed by supervisory personnel prior to submission for 12 of 12 cash management reports for the DC-10-027 Justice Assistance Grant Program Cluster, 2 of 12 cash management reports for the DC-10-036 Justice Assistance Grant Program Cluster, 3 of 12 Highway Planning and Construction Cluster, and 6 of 36 reimbursement requests tested for the Weatherization Assistance for Low-Income Persons grant.

Criteria: The grant agreement and entities receiving federal awards are required to establish and maintain internal controls designed to ensure compliance with federal laws, regulations and program compliance.

Effect: Noncompliance with the grant agreement and as a result of the lack of review of cash management reports and submission of those reports timely, there is an increased risk that reports could be submitted to a third party with errors or could be rejected as a result of reports not being submitted timely.

Questioned Cost: None.

Cause: The County does not have internal controls in place to ensure that cash management reports are completely accurately and submitted on a timely basis.

Recommendation: We recommend a reporting deadline monitoring system be considered in order to minimize the risk of missed deadlines and potential loss of funds. Cash management reports should be supported by accounting records and reviewed by supervisory personnel prior to submission to a third party.

Corrective Action: The County concurs with this recommendation and will immediately implement internal control procedures to ensure timely and accurate reporting to avoid similar findings in the 2011-12 fiscal year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**U.S. DEPARTMENT OF LABOR
WORKFORCE INVESTMENT ACT CLUSTER
CFDA No. 17.258, 17.259, & 17.260
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DE091206001, DE101045001 AND DE111006001**

2011-19

Condition/Context: Grant reimbursements were not reconciled to the expenditures. Expenditures were not accurately reported by CFDA number on the schedule of expenditures of federal awards.

Criteria: The County should maintain accounting records in sufficient detail to properly report expenditures by CFDA number on the schedule of expenditures of federal awards.

Effect: Internal control weakness, as well as significant audit adjustments were necessary to correct the allocation of federal expenditures between CFDA numbers.

Questioned Cost: None.

Cause: Inconsistencies in account coding.

Recommendation: We recommend the County review the control procedures and processes involved in recording cash receipts and develop internal control policies to ensure proper recording. Reimbursements should be reconciled to grant expenditures to ensure completeness. In addition, the grant revenues and expenditures should be reconciled by CFDA number to ensure grants are properly reported on the schedule of federal expenditures by CFDA number.

Corrective Action: The County concurs with this recommendation and will immediately implement internal control procedures to ensure proper reconciling and accurate reporting of the schedule of federal expenditures for the fiscal year ended June 30, 2012.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD SUPPORT ENFORCEMENT

CFDA No. 93.563

PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY

PASS THROUGH NUMBER DES06725-1, DE111165001 AND DES06726-1

2011-20

Condition/Context: The August 2010 through October 2010 Certified Public Expenditure Reports were filed with the Arizona Department of Economic Security using the prior year approved indirect cost rate (fiscal year 2009).

Criteria: The grant agreement requires the County to use the approved indirect cost rate received for each fiscal year to calculate the allowable indirect costs charged to the grant. That approved indirect cost rate should be applied to the appropriate fiscal year.

Effect: The current year approved cost rate exceeded the indirect rate actually charged to the grant; therefore the County did not request reimbursement for all eligible expenditures.

Questioned Cost: None.

Cause: Court Clerk personnel were unaware that indirect cost rates changed annually.

Recommendation: We recommend the County review expenditures charged to the program to ensure they are properly supported. The Cost Allocation Plan should be provided to all departments charging indirect costs to the grant.

Corrective Action: The County concurs with this recommendation and will review the internal controls over expenditures to ensure a process is in place for accurate reporting. In addition, the County will review the indirect cost rate used for the 2011-12 fiscal. The County had updated the indirect cost rate for the remainder of the 2012 year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD SUPPORT ENFORCEMENT

CFDA No. 93.563

PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY

PASS THROUGH NUMBER DES06725-1, DE111165001 AND DES06726-1

2011-21

Condition/Context: Child Support Enforcement expenditures from the Court Clerk's office are unidentifiable within the County ledger system. The child support expenditures are commingled with other Court Clerk department expenditures.

Criteria: The Code of Federal Regulations 45 CFR Section 92.20 requires grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities.

Effect: An increased risk that transactions and account balances not related to the program are commingled with those of the program.

Questioned Cost: None.

Cause: Inadequate account code structure.

Recommendation: We recommend the County restructure its chart of accounts to better segregate and track expenditures reimbursed by a third party.

Corrective Action: The County concurs with this recommendation and will immediately review the account structure and modify the account structure, as necessary, to ensure compliance with the Code of Federal Regulations. The account structure modification was not completed by June 30, 2011. New account code structures have been established for the 2012 fiscal year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**U.S. DEPARTMENT OF LABOR
ARRA WORKFORCE INVESTMENT ACT CLUSTER
CFDA No. 17.258, 17.259, & 17.260
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DE091206001, DE101045001 AND DE111006001**

**U.S. DEPARTMENT OF ENERGY
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS
CFDA No. 81.042
PASSED THROUGH THE ARIZONA DEPARTMENT OF COMMERCE
PASS THROUGH NUMBER C037-09-02, C052-09-02 AND G043-10-02**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD SUPPORT ENFORCEMENT
CFDA No. 93.563
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DES06725-1, DE111165001 AND DES06726-1**

2011-22

Condition/Context: For 3 of 60 payroll disbursements tested for Gila County, determined employee timesheets were not properly reviewed and approved by management.

Criteria: The County should design internal controls to ensure timesheets of hourly employees are properly reviewed and approved by management.

Effect: Internal control weakness.

Questioned Cost: None.

Cause: Unknown

Recommendation: We recommend County management review the internal controls over the payroll process and develop procedures to strengthen the current process. Timesheets should be reviewed and approved by management.

Corrective Action: The County concurs with this recommendation and implemented controls over the payroll account coding during the 2012 fiscal year. The current process will be reviewed to ensure compliance in the upcoming year.

Contact Person: Joseph Heatherly, Finance Director

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR YEAR REFERENCE NUMBER: 2010-17, 2009-17, 08-21, 07-23, 06-22, 05-24, 04-24

Condition: The financial and compliance audit was not completed within nine months of the end of the fiscal year.

Status: Fully corrected during the current fiscal year.

**U.S. DEPARTMENT OF JUSTICE
JUSTICE ASSISTANCE GRANT PROGRAM CLUSTER
CFDA No. 16.738 & 16.803
PASSED THROUGH THE ARIZONA CRIMINAL JUSTICE COMMISSION
PASS THROUGH NUMBER DC 10-027, DC-10-036, DC-09-026 AND DC-09-029**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD SUPPORT ENFORCEMENT
CFDA No. 93.563
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DES06725-1 AND DES06726-1
PRIOR REFERENCE NUMBER: 2010-18**

Condition: Federal financial and performance reports were not reviewed by supervisory personnel prior to submission to a third party.

Status: Not corrected. Similar condition and corrective action noted as item 2011-17.

**U.S. DEPARTMENT OF LABOR
WORKFORCE INVESTMENT ACT CLUSTER
CFDA No. 17.258, 17.259, & 17.260
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DE070295001, DE091206001, DE081297001 AND E5706004**

**U.S. DEPARTMENT OF ENERGY
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS
CFDA No. 81.042
PASSED THROUGH THE ARIZONA DEPARTMENT OF COMMERCE
PASS THROUGH NUMBER C037-09-02, C051-09-02 AND C052-09-02
PRIOR REFERENCE NUMBER: 2010-19**

Condition: The schedule of expenditures of federal awards did not identify expenditures of Recovery Act awards as required by OMB Circular A-133. The schedule of expenditures of federal awards required significant adjustments to report actual expenditures.

Status: Fully corrected during the current fiscal year. No similar instances were brought to our attention in the current fiscal year.

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

**U.S. DEPARTMENT OF JUSTICE
JUSTICE ASSISTANCE GRANT PROGRAM CLUSTER
CFDA No. 16.738 & 16.803
PASSED THROUGH THE ARIZONA CRIMINAL JUSTICE COMMISSION
PASS THROUGH NUMBER DC 10-027, DC-10-036, DC-09-026 AND DC-09-029
PRIOR REFERENCE NUMBER: 2010-20**

Condition: Cash management reports were not submitted timely, were not supported by County accounting records, and were not reviewed by supervisory personnel prior to submission.

Status: Partially corrected. Similar condition and corrective action noted as item 2011-18.

**U.S. DEPARTMENT OF LABOR
WORKFORCE INVESTMENT ACT CLUSTER
CFDA No. 17.258, 17.259, & 17.260
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DE070295001, DE091206001, DE081297001 AND E5706004
PRIOR REFERENCE NUMBER: 2010-21**

Condition: Grant reimbursements were not reconciled to the expenditures. Expenditures were not accurately reported by CFDA number on the schedule of expenditures of federal awards.

Status: Not corrected. Similar condition and corrective action noted as item 2011-19.

**U.S. DEPARTMENT OF ENERGY
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS
CFDA No. 81.042
PASSED THROUGH THE ARIZONA DEPARTMENT OF COMMERCE
PASS THROUGH NUMBER C037-09-02, C051-09-02 AND C052-09-02
PRIOR REFERENCE NUMBER: 2010-22**

Condition: The County has not performed a physical inventory of equipment acquired under federal awards within the last two years. Capital assets purchased under federal awards were not always added to the capital asset listing.

Status: Fully corrected during the current fiscal year. No similar instances were brought to our attention in the current fiscal year.

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD SUPPORT ENFORCEMENT
CFDA No. 93.563
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DES06725-1 AND DES06726-1
PRIOR REFERENCE NUMBER: 2010-23**

Condition: The October 2009 through June 2010 Certified Public Expenditure Reports were filed with the Arizona Department of Economic Security using the prior year approved indirect cost rate (fiscal year 2009).

Status: Not corrected. Similar condition and corrective action noted as item 2011-20.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILD SUPPORT ENFORCEMENT
CFDA No. 93.563
PASSED THROUGH THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY
PASS THROUGH NUMBER DES06725-1 AND DES06726-1
PRIOR REFERENCE NUMBER: 2010-24, 2009-16, 08-19, 07-21, 06-20, 05-21, 04-21, 03-101**

Condition: Child Support Enforcement expenditures from the Court Clerk's office are unidentifiable within the County ledger system. The child support expenditures are commingled with other Court Clerk department expenditures.

Status: Not corrected. Similar condition and corrective action noted as item 2011-21.

**U.S. DEPARTMENT OF EDUCATION
MATHEMATICS AND SCIENCE PARTNERSHIPS
CFDA No. 84.366
PRIOR REFERENCE NUMBER: 2009-19**

Condition: Time certifications were not prepared to document employee's time charged to multiple activities.

Status: Fully corrected during the current fiscal year. No similar instances were brought to our attention in the current fiscal year.

**GILA COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONCLUDED)

**U.S. DEPARTMENT OF EDUCATION
MATHEMATICS AND SCIENCE PARTNERSHIPS
CFDA No. 84.366
PRIOR REFERENCE NUMBER: 2009-20**

Condition: Personnel files for 2 employees that worked for the grant did not have the current employment contracts or payroll authorization forms.

Status: Fully corrected during the current fiscal year. No similar instances were brought to our attention in the current fiscal year.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PUBLIC HEALTH EMERGENCY PREPAREDNESS
CFDA No. 93.069
PRIOR REFERENCE NUMBER: 08-20, 07-22, 05-18, 04-18, 03-102**

Condition: Eight out of nineteen expenditure reports were not submitted timely. The reports were 5 to 65 days late.

Status: Condition was not corrected in fiscal year 2011. Six of sixteen reports tested were not submitted timely.