

Greenlee County
Single Audit Reports

Year Ended June 30, 2014

Greenlee County
Single Audit Reports
Year Ended June 30, 2014
Table of Contents

SINGLE AUDIT REPORTS

| | |
|---|------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1-2 |
| Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 | 3-5 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Findings and Questioned Costs | 8-11 |

COUNTY RESPONSE

| | |
|------------------------------|-------|
| Corrective Action Plan | 12-14 |
|------------------------------|-------|

REPORT ISSUED SEPARATELY

Annual Financial Report



Certified
Public
Accountants

4001 North 3rd Street
Suite 275
Phoenix, AZ 85012-2086

Tel: (602) 264-3077
Fax: (602) 265-6241

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenlee County, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 8, 2015.

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 basic 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control 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 2014-01 through 2014-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Greenlee County Responses to Findings

Greenlee County's responses to the findings identified in our audit are presented on pages 12 through 14. 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.

A handwritten signature in black ink that reads "Aster & Chapman P.C." with a stylized ampersand.

April 8, 2015



Certified
Public
Accountants

4001 North 3rd Street
Suite 275
Phoenix, AZ 85012-2086

Tel: (602) 264-3077
Fax: (602) 265-6241

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Greenlee County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Greenlee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-101. Our opinion on each major federal program is not modified with respect to this matter.

Greenlee County's response to the noncompliance finding identified in our audit is presented on page 14. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as an item 2014-101 to be a material weakness.

Greenlee County's response to the internal control over compliance finding identified in our audit is presented on page 14. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 8, 2015, that contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in dark ink that reads "Fester & Chapman P.C." The signature is written in a cursive, flowing style.

April 8, 2015

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

| Federal agency / CFDA number | Federal program name | Cluster title | Pass-through grantor | Pass-through grantor's number(s) | Program expenditures | Amount provided to subrecipients |
|---|--|---|--|----------------------------------|----------------------|----------------------------------|
| Department of Agriculture | | | | | | |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Forest Service Schools and Road Cluster | Arizona Department of Health Services | 13-029585 | \$ 117,703 | \$ - |
| 10.665 | Schools and Roads - Grants to States | | Arizona State Treasurer | None | 865,420 | 265,461 |
| Total Department of Agriculture | | | | | 983,123 | 265,461 |
| Department of the Interior | | | | | | |
| 15.226 | Payments in Lieu of Taxes | | | | 844,890 | - |
| Total Department of the Interior | | | | | 844,890 | - |
| Department of Justice | | | | | | |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | JAG Program Cluster | Arizona Criminal Justice Commission | DC-13-003 | 29,347 | - |
| Total Department of Justice | | | | | 29,347 | - |
| Department of Transportation | | | | | | |
| 20.106 | Airport Improvement Program | | | | 22,284 | - |
| Total Department of Transportation | | | | | 22,284 | - |
| U.S. Election Assistance Commission | | | | | | |
| 90.401 | Help America Vote Act Requirements Payments | | Arizona Secretary of State | None | 6,710 | - |
| Total U.S. Election Assistance Commission | | | | | 6,710 | - |
| Department of Health and Human Services | | | | | | |
| 93.069 | Public Health Emergency Preparedness | | Arizona Department of Health Services | 12-007889 | 153,334 | - |
| 93.268 | Immunization Cooperative Agreements | | Arizona Department of Health Services | HG854286, 11-003824, 13-041541 | 52,275 | - |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance | | Arizona Department of Health Services | 13-029424 | 28,997 | - |
| 93.563 | Child Support Enforcement | | Arizona Department of Health Services | G1304AZ4004 | 7,375 | - |
| 93.940 | HIV Prevention Activities - Health Department Based | | Arizona Department of Health Services | HG852274 | 35,851 | - |
| 93.994 | Maternal and Child Health Services Block Grant to the States | | Arizona Department of Health Services | 11-005261 | 3,072 | - |
| Total Department of Health and Human Services | | | | | 280,904 | - |
| Department of Homeland Security | | | | | | |
| 97.042 | Emergency Management Performance Grants | | Arizona Department of Emergency and Military Affairs | 2012-EP-00003 | 94,250 | - |
| Total Department of Homeland Security | | | | | 94,250 | - |
| Total expenditures of federal awards | | | | | \$ 2,261,508 | \$ 265,461 |

See accompanying notes to schedule.

Greenlee County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBER

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *Catalog of Federal Domestic Assistance*.

NOTE 3 - SUBRECIPIENTS

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

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount</u> |
|--------------------------------------|--------------------|---------------|
| Schools and Roads - Grants to States | 10.665 | \$ 265,461 |

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | | |
|---|------------|-----------------|
| Type of auditors' report issued: | Unmodified | |
| | Yes | No |
| Internal control over financial reporting: | | |
| Material weaknesses identified? | X | |
| Significant deficiencies identified? | | X |
| | | (None reported) |
| Noncompliance material to the financial statements noted? | | X |

Federal Awards

| | | |
|--|------------|-----------------|
| Internal control over major programs: | | |
| Material weakness identified? | X | |
| Significant deficiencies identified? | | X |
| | | (None reported) |
| Type of auditors' report issued on compliance for major programs: | Unmodified | |
| Any findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? | X | |

Identification of major programs:

| | CFDA Number | Name of Federal Program or Cluster |
|--|-------------|--------------------------------------|
| | 10.665 | Schools and Roads - Grants to States |
| | 15.226 | Payments in Lieu of Taxes |
| | 93.069 | Public Health Emergency Preparedness |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

| | | |
|--|--|---|
| Auditee qualified as low-risk auditee? | | X |
|--|--|---|

Other Matters

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

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

FINANCIAL STATEMENT FINDINGS

2014-01 INTERNAL CONTROLS OVER YEAR-END CLOSING PROCESS

| | |
|-----------------|---|
| Criteria: | The County should have adequate internal controls in place to help ensure that all year-end accruals are properly recorded in accordance with Generally Accepted Accounting Principles (GAAP). |
| Condition: | <ul style="list-style-type: none">• Accounts payable were materially misstated.• Sales tax revenues and the corresponding County's portion of ALTCS/Acute care contributions withheld by the State Treasurer were materially misstated.• Cash and accrued payroll balances were materially misstated. |
| Cause: | The County did not have adequate policies and procedures in place to help ensure that the County's year-end accruals were recorded in accordance with GAAP. |
| Effect: | Significant audit adjustments were proposed and subsequently approved by management in order to properly state year-end balances in the County's fund financial statements. |
| Recommendation: | The County should evaluate its year-end financial closing process and develop comprehensive policies and procedures to ensure that all material account balances are properly recorded at year-end. |

2014-02 INTERNAL CONTROLS OVER CAPITAL ASSETS REPORTING

| | |
|-----------------|---|
| Criteria: | The County should have effective policies and procedures to ensure that capital assets are properly reported in accordance with GAAP. |
| Condition: | The County's construction in progress (CIP) and buildings and improvements were materially misstated. |
| Cause: | The County did not have adequate policies and procedures in place to help ensure that the County's construction in progress was recorded in accordance with GAAP. |
| Effect: | Prior to the posting of audit adjustments, the County's CIP balance was understated by approximately \$130,000 and buildings and improvements were overstated by approximately \$260,000. |
| Recommendation: | The County should strengthen its internal control procedures over construction in progress and the capital assets listing to help ensure that capital assets are properly reported in the financial statements. |

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

FINANCIAL STATEMENT FINDINGS (Continued)

2014-03 TIMELINESS OF FINANCIAL REPORTING

| | |
|-----------------|---|
| Criteria: | The County should provide timely and accurate record keeping. |
| Condition: | The County did not prepare its financial records for audit in a timely manner. |
| Cause: | The County did not have adequate policies and procedures in place to help ensure that accurate financial statements were prepared and issued in a timely manner. |
| Effect: | The financial statements were not completed until over nine months after the end of the fiscal year. According to OMB Circular A-133 sections .300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements and to ensure that audits required are performed and submitted when due. Failure to prepare the financial statements and complete the audit in accordance with OMB Circular A-133 could result in the suspension of federal funding. Additionally, untimely financial information has the result of preventing those charged with governance from making informed financial decisions. |
| Recommendation: | The County should prepare its financial records for audit in a timely manner. |

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-101 TIMELINESS OF FINANCIAL REPORTING

| | |
|------------------------|---|
| CFDA: | Not Applicable. |
| Federal Agency: | Not Applicable. |
| Questioned Costs: | Not Applicable. |
| Criteria: | OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, §.320 requires the County to submit its Single Audit Report to the federal clearinghouse no later than nine (9) months after the fiscal year end. |
| Condition and Context: | The federal reporting deadline for the County's Single Audit Report was March 31, 2015; however the County did not issue the report until April 8, 2015. |
| Effect: | The County did not comply with OMB Circular A-133 audit requirements. The late submission of the Single Audit Report affects all federal programs administered by the County. This finding is noncompliance with OMB Circular A-133, §.320. However, this finding does not result in a control deficiency over compliance or noncompliance for the individual federal programs. |
| Cause: | As discussed in item 2014-003, the County did not have adequate policies and procedures in place to help ensure that financial statements and Single Audit Report were prepared and issued in a timely manner. |
| Recommendations: | The County should submit its Single Audit Report to the federal clearinghouse by the required deadline. |

DEBORAH K. GALE
County Administrator
(928) 865-2310

YVONNE PEARSON
Clerk of the Board
(928) 865-2072

FACSIMILE (928) 865-9332



BOARD OF SUPERVISORS
P.O. BOX 908
253 5TH STREET
CLIFTON, AZ 85533

DAVID GOMEZ
District 1

RON CAMPBELL
District 2

ROBERT CORBELL
District 3

April 8, 2015

Ms. Debbie Davenport, Auditor General
State of Arizona, Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

We have prepared the accompanying Corrective Action Plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S Office of Management and Budget Circular A-133. Specifically, for each financial reporting finding we are providing you with the corrective action planned and for each federal award finding we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date that is included in the Schedule of Findings and Questioned Costs.

Please do not hesitate to contact my office if you have any questions or need further information.

Sincerely,

Deborah K. Gale, County Administrator
Greenlee County

Greenlee County, Arizona

Corrective Action Plan
Year Ended June 30, 2014

Financial Statement Findings

Item: 2014-01

Subject: Internal controls over year-end closing process

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

Corrective Action: We, Greenlee County, will develop comprehensive policies and procedures to ensure all material account balances are properly recorded at year-end.

Item: 2014-02

Subject: Internal controls over capital assets reporting

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

Corrective Action: We, Greenlee County, will establish policies and procedures to ensure that capital assets are properly recorded in the capital assets lists for all future fiscal years.

Item: 2014-03

Subject: Internal controls over timeliness of financial reporting

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

Corrective Action: We, Greenlee County, will strictly adhere to its policies and procedures to ensure that financial statements are prepared timely and audits are completed within the required time period.

Greenlee County, Arizona

Corrective Action Plan
Year Ended June 30, 2014

Federal Award Finding

Item 2014-101

Subject: Timeliness of Financial Reporting

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

Corrective Action: We, Greenlee County, will strictly adhere to its policies and procedures to ensure that financial statements are prepared timely and audits are completed within the required time period.