

Greenlee County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2005

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Single Audit Reporting Package
Year Ended June 30, 2005

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Comprehensive Annual Financial Report

Issued separately

Single Audit Section

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

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, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 29, 2009, which was modified as to consistency because of the implementation of GASB Statement No. 40. 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

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item **05-1**.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

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, the Board of Supervisors, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Miller, Albert Co., P.C.

October 29, 2009

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

Compliance

We have audited the compliance of Greenlee County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the Summary of Auditor's 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 the County's compliance based on our audit.

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 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Greenlee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements 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 **05-3**.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item **05-2**.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

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, 2005, and have issued our report dated June 26, 2009, which was modified as to consistency because of the implementation of GASB Statement No. 40. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Greenlee 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 Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Miller, Almond Co., P.C.

October 29, 2009

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Program			
Cooperative Forestry Assistance	10.664	None	\$ 18,621
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	76-1093	27,292
Passed through the Arizona State Treasurer			
Schools and Roads – Grants to States	10.665	None	640,636
Total U.S. Department of Agriculture			<u>686,549</u>
<u>U.S. Department of the Interior</u>			
Direct Program			
Payments in Lieu of Taxes	15.226	None	367,750
Bureau of Land Management	15.Unknown	None	43,193
Taylor Grazing Act	15.Unknown	None	3,094
Total U.S. Department of the Interior			<u>414,037</u>
<u>U.S. Department of Justice</u>			
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Formula Grant Program	16.579	AC-040-01	30,242
Direct Program			
State Criminal Alien Assistance Program	16.606	None	581
Total U.S. Department of Justice			<u>30,823</u>
<u>U.S. Department of Labor</u>			
Passed through the Arizona Department of Economic Security			
WIA Cluster:			
WIA Adult Program	17.258	E5701009	6,981
WIA Youth Activities	17.259	E5701009	120,379
WIA Dislocated Workers	17.260	E5702006	27,449
Total WIA Cluster			<u>154,809</u>
Total U.S. Department of Labor			<u>154,809</u>
<u>U.S. Department of Transportation</u>			
Direct Program			
Airport Improvement Program	20.106	None	897,104
Total U.S. Department of Transportation			<u>897,104</u>
<u>Federal Emergency Management Agency</u>			
Passed through the United Way of Arizona			
Emergency Management – State and Local Assistance	83.534	None	2,822
Total Federal Emergency Management Agency			<u>2,822</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services			
Centers for Disease Control-Investigations and Technical Assistance	93.283	None	251,615
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	23-3013	50,930
Preventive Health Services Block Grant	93.991	30-4062	12,054

See accompanying notes to schedule.

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Maternal and Child Health Services Block Grant to the States	93.994	76-1106	7,518
Total U.S. Department of Health and Human Services			<u>322,117</u>
 <u>U.S. Department of Homeland Security</u>			
Passed through the Arizona Department of Emergency and Military Affairs			
Citizen Corps	97.053	None	6,959
2002 Supplemental	97.054	None	35,805
Homeland Security Grant Program	97.067	None	578,921
Total U.S. Department of Homeland Security			<u>621,685</u>
 Total Expenditures of Federal Awards			 <u>\$ 3,129,946</u>

See accompanying notes to schedule.

Greenlee County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenlee County 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) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2005 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to the program and when there was no federal contract number, the two-digit federal agency identifier, a period, and the work "unknown" were used.

Note 3 - Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2005.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified	
		<u>YES</u>	<u>NO</u>
Material weakness identified in internal control over financial reporting?	___		<u>X</u>
Reportable condition identified not considered to be a material weakness?	<u>X</u>		___
Noncompliance material to the financial statements noted?	___		<u>X</u>

Federal Awards

Material weakness identified in internal control over major programs?	___	<u>X</u>	
Reportable condition identified not considered to be a material weakness?	<u>X</u>		___
Type of auditor's report issued on compliance for major programs:			Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>		___
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.665	Schools and Roads – Grants to States
20.106	Airport Improvement Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000	
Auditee qualified as low-risk auditee?	___		<u>X</u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>		___
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Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section II – Financial Statement Findings

Item: 05-1

Subject: Segregation of Duties

Criteria: The handling and recording of any one transaction from beginning to end by any one individual should be avoided.

Condition: The following segregation of duties deficiencies was noted:

1. Finance department – an individual who is responsible for processing payroll transactions also can create and/or modify employee computer payroll records;
2. Finance department – an individual with voucher preparation responsibilities also receives the signed warrants for vendor distribution;
3. Treasurer's office – individuals with responsibility for maintaining accounting records also are required to log cash receipts received through the mail.

Cause: Existing policies and procedures have not been implemented which segregate the following functions:

1. Authorization;
2. Recordkeeping;
3. Custody of assets.

Effect: The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected.

Recommendation: Current policies and procedures should be implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, accidental or deliberate.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs

Item: 05-2

CFDA Number: 10.665, 20.106, 97.067

Program: Schools and Roads – Grants to States, Airport Improvement Program, Homeland Security Grant Program.

Agency: U.S. Department of Agriculture, U.S. Department of Transportation, U.S. Department of Homeland Security

Award Year: Various

Award Number: Various

Questioned Costs: N/A

Condition: The handling and recording of any one transaction from beginning to end by any one individual is not being prohibited. See Section II – Financial Statement Findings, item 05-1.

Recommendation: Current policies and procedures should be implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, accidental or deliberate.

Item: 05-3

CFDA Number: 10.665, 20.106, 97.067

Program: Schools and Roads – Grants to States, Airport Improvement Program, Homeland Security Grant Program.

Agency: U.S. Department of Agriculture, U.S. Department of Transportation, U.S. Department of Homeland Security

Award Year: Various

Award Number: Various

Questioned Costs: N/A

Criteria: OMB Circular A-133, section 320 requires that an audit be completed and the data collection form and single audit reporting package be submitted to the Federal clearinghouse no later than nine months after the end of the audit period.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Condition: The County's audit was not completed within the required time period.

Cause: The County does not have controls in place to ensure that audits are completed on a timely basis.

Effect: The County could lose federal funding.

Recommendation: The County should follow their policies and procedures to ensure audits are completed timely.

County Responses

**Greenlee County
Corrective Action Plan
Year Ended June 30, 2005**

Financial Statement Findings

Item: 05-1

Subject: Segregation of Duties

Contact Person: Kay Gale, Administrator/Clerk of the Board

Anticipated Completed Date: Immediately

Corrective Action: The current policies for separation of duties were developed with the advice of previous audit firms but have not been updated. Policies and procedures will be reviewed and modified to address the issue. The current policy in place will be modified as recommended.

**Greenlee County
Corrective Action Plan
Year Ended June 30, 2005**

Federal Award Findings and Questioned Costs

Item: 05-2

CFDA Number: 10.665, 20.106, 97.067

Program: Schools and Roads – Grants to States, Airport Improvement Program, Homeland Security Grant Program.

Contact Person: Kay Gale, Administrator/Clerk of the Board

Anticipated Completed Date: Immediately

Corrective Action: The current policies for separation of duties were developed with the advice of previous audit firms but have not been updated. Policies and procedures will be reviewed and modified to address the issue. The current policy in place will be modified as recommended.

Item: 05-3

CFDA Number: 10.665, 20.106, 97.067

Program: Schools and Roads – Grants to States, Airport Improvement Program, Homeland Security Grant Program.

Subject: The County's audit was not completed within the required time period.

Contact Person: Kay Gale, County Administrator

Anticipated Completion Date: March 31, 2010

Corrective Action: The County has implemented an internal policy to ensure timely preparation of the financial statements. In doing so, the County has contracted with a firm to prepare our financial statements in compliance with generally accepted accounting principles. Completion of the single audit within the required time period is a priority. The County is working with the Auditor General's Office to ensure audits are completed within the required time periods.

Greenlee County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2005

Status of Federal Award Findings and Questioned Costs

CFDA No.: 93.283

Finding No.: **04-2**

Status: Not corrected.

Corrective Action: The current policies for separation of duties were developed with the advice of previous audit firms but have not been updated. Policies and procedures will be reviewed and modified to address the issue. The current policy in place will be modified as recommended.