

Greenlee County
Single Audit Reports

Year Ended June 30, 2013

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Single Audit Reports
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SINGLE AUDIT REPORTS

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REPORT ISSUED SEPARATELY

Annual Financial Report

**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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2014.

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 certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-02 to be a significant deficiency.

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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Greenlee County's Response to Findings

Greenlee County's responses to the findings identified in our audit are presented on pages 12 through 13. 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.



March 31, 2014

**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, 2013. 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, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 31, 2014, 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.

Foster & Chapman P.C.

March 31, 2014

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Direct Program:			
Cooperative Law Enforcement	10.unknown	N/A	\$ 171
Passed through Arizona Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13-029585	74,854
Passed through the Arizona State Forestry Division:			
Cooperative Forestry Assistance	10.664	WFHF 09-026	196,013
Passed through the Arizona State Treasurer:			
Schools and Roads - Grants to States	10.665	None	<u>826,960</u>
Total U.S. Department of Agriculture			<u>1,097,998</u>
U.S. Department of the Interior			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	783,176
Geothermal Resources	15.434	N/A	<u>521</u>
Total U.S. Department of the Interior			<u>783,697</u>
U.S. Department of Justice			
Direct Program:			
State Criminal Alien Assistance Program	16.606	N/A	18,868
Passed through the Arizona Criminal Justice Commission:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-13-003	8,349
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-13-053	<u>14,881</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>23,230</u>
Total U.S. Department of Justice			<u>42,098</u>
U.S. Department of Transportation			
Direct Program:			
Airport Improvement Program	20.106	N/A	<u>15,373</u>
Total U.S. Department of Transportation			<u>15,373</u>
U.S. Elections Assistance Commission			
Passed through the Arizona Secretary of State:			
Help America Vote Act Requirements Payments	90.401	None	<u>2,931</u>
Total U.S. Elections Assistance Commission			<u>2,931</u>

(continued)

See accompanying notes to schedule of expenditures of federal awards.

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013
(Continued)

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services:			
Public Health Emergency Preparedness	93.069	12-007889	\$ 152,290
Immunization Cooperative Agreements	93.268	11-003824/13- 041541/HG854286	66,659
Affordable Care Act (ACA) - Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	13-029424	44,606
HIV Prevention Program Activities-Health Department Based	93.940	HG852274	2,098
Maternal and Child Health Services Block Grant to the States	93.994	11-005261	4,900
Passed through the Arizona Department of Economic Security:			
Child Support Enforcement	93.563	G1304AZ4004	<u>5,124</u>
Total U. S. Department of Health and Human Services			<u>275,677</u>
U.S. Department of Homeland Security			
Passed through the Arizona Department of Emergency and Military Affairs:			
Emergency Management Performance Grants	97.042	2012-EP-00003	93,705
Passed through the Arizona Department of Homeland Security:			
Homeland Security Grant Program	97.067	888302-01	353
Homeland Security Grant Program	97.067	777317-01	<u>4,413</u>
Total Homeland Security Grant Program			<u>4,766</u>
Total U.S. Department of Homeland Security			<u>98,471</u>
Total Expenditures of Federal Awards			<u>\$ 2,316,245</u>

See accompanying notes to schedule of expenditures of federal awards.

Greenlee County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

NOTE 1 - BASIS OF ACCOUNTING

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) NUMBER

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program and there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

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	\$ 226,960

Greenlee County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	<u>X</u>	<u> </u>
Significant deficiencies identified?	<u>X</u>	<u> </u>
Noncompliance material to the financial statements noted?	<u> </u>	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weakness identified?	<u> </u>	<u>X</u>
Significant deficiencies identified?	<u> </u>	<u>X</u>
		(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])?	<u> </u>	<u>X</u>

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

Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000
Auditee qualified as low-risk auditee?	<u> </u>	<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>	<u> </u>
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Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

FINANCIAL STATEMENT FINDINGS

2013-01 INTERNAL CONTROLS OVER CAPITAL ASSETS

- Criteria: All capital assets acquired by donation, bequest, or gift should be recorded at the fair market value at the date of acquisition. (UAMAC VI-E-6)
- Condition: A fair value of capital assets donated to the County was not reported in the County' capital assets listing.
- Cause: Unknown
- Effect: Prior to audit adjustment, the County's capital assets list did not properly reflect the acquisition of donated assets totaling approximately \$130,000.
- Recommendation: The County should establish policies and procedures to ensure that donated assets are properly identified and recorded in the capital assets lists.

2013-02 DISASTER RECOVERY PLAN

- Criteria: The County should consider maintaining documented, tested disaster recovery plans to ensure continuity of operations in the event of major destruction of files or a hardware breakdown. (UAMAC VII-5)
- Condition: The County did not have a formal disaster recovery plan for its financial systems and did not maintain an off-site back up.
- Cause: Unknown
- Effect: In case of a disaster the County may be at an increased risk of losing financial data or other data critical to operations.
- Recommendation: The County should develop a disaster recovery plan for its financial systems, including off-site back up, and test the plan on a regular basis to ensure the sufficiency of the plan and the integrity of the back up data.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

FEDERAL AWARD FINDINGS AND QUESTIONED COST

None reported.

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

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

FACSIMILE (928) 865-9332



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CLIFTON, AZ 85533

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District 1

RON CAMPBELL
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ROBERT CORBELL
District 3

March 31, 2014

Ms. Debbie Davenport, Auditor General
State of Arizona, Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Governmental Auditing Standards*. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

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

Sincerely,

Rene Ontiveros, Chief Finance Officer
Greenlee County

Greenlee County, Arizona

Corrective Action Plan
Year Ended June 30, 2013

Financial Statement Findings

Item: 2013-01

Subject: Internal controls over capital assets

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

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

Item: 2013-02

Subject: Disaster recovery plan

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

Corrective Action: We, Greenlee County, are currently in the process of establishing and developing a disaster recovery plan for our financial systems. This plan will also include an off-site back up. We will test the plan on a regular basis to ensure the sufficiency of the plan and the integrity of the back-up data.

DEBORAH K. GALE
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March 31, 2014

Ms. Debbie Davenport, Auditor General
State of Arizona, Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of the audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

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

Sincerely,

Rene Ontiveros, Chief Finance Officer
Greenlee County

Greenlee County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Status of Prior Year Federal Award Findings and Questioned Costs

Finding No: 12-101, 11-101, 08-11, 07-09

CFDA No: 10.664, 10.665, 15.226, 93.283, 97.067

Program: Cooperative Forestry Assistance, Schools and Roads – Grants to States, Payments in Lieu of Taxes, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Homeland Security Grant Program

Status: Fully corrected

Finding No: 08-12, 07-11

CFDA No: 10.665.15.226, 93.283, 97.067

Program: Schools and Roads – Grants to States, Payments in Lieu of Taxes, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Homeland Security Grant Program

Status: Fully corrected

Finding No: 08-14, 07-13

CFDA No: 10.665, 15.226, 93.283, 97.067

Program: Schools and Roads – Grants to States, Payments in Lieu of Taxes, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Homeland Security Grant Program

Status: Fully Corrected