



Single Audit Year Ended June 30, 2025 Greenlee County



Lindsey A. Perry
Auditor General

Arizona Auditor General's mission

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

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Representative **Michele Peña**

Representative **Stephanie Stahl-Hamilton**

Representative **Betty Villegas**

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The County did not perform inventorying procedures for nearly \$4.2 million of capital assets and unused supplies at year-end, and it did not tag or track an additional \$216,484 in capital assets, resulting in a qualified opinion on the financial statements and an increased risk that machinery and equipment and supplies could be stolen, lost, or misused

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The County allowed 9 hourly employees to self-approve their time sheets and did not require supervisory review and approval to ensure accuracy, including 5 employees who self-approved \$103,063 in overtime costs, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution

FINANCIAL STATEMENT FINDING: 2025-04

23

The County paid \$48,505 for merchandise, lodging, training, meals, airfare, and other expenses using credit cards without complying with policies and procedures and did not ensure \$2,064 of these purchases were for authorized County business purposes, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

FINANCIAL STATEMENT FINDING: 2025-05

29

The County did not obtain annual conflict-of-interest disclosure statements from 38 elected officials and employees and the contracted health director, increasing the risk that undisclosed substantial interests could affect their official conduct

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32

The County did not follow its purchasing policy, and conduct required competitive procurement for over \$575,000 in goods and services, resulting in noncompliance with statutory regulations and an increased risk that procured goods and services are not at the most economical price

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36

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

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39

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

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44

The County submitted its June 30, 2025, Single Audit Report to the federal audit clearinghouse nearly 6 months later than allowed by federal regulation, creating a risk that federal grantors may deny the County future federal awards

FEDERAL AWARD FINDING: 2025-102

46

The County did not ensure 10 payments totaling \$62,400 for the Public Health Emergency Preparedness Program were reviewed and approved by independent appropriate personnel

FEDERAL AWARD FINDING: 2025-103

49

The County's initial schedule of expenditures of federal awards (SEFA) was understated by \$206,888, or 18% of total federal award expenditures, increasing the risk of misinforming those who rely on the SEFA

COUNTY SECTION

51

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

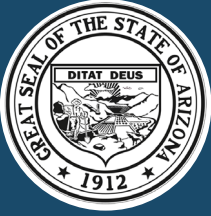
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COUNTY RESPONSE AND CORRECTIVE ACTION PLAN

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REPORT ISSUED SEPARATELY

Annual Financial Report



**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, Auditor General

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*

Members of the Arizona State Legislature

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 U.S. Comptroller General, 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, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2026. We qualified our opinion for the County's governmental activities and the Highway User Revenue Fund.

Specifically, the County did not perform inventorying procedures for nearly \$4.2 million of capital assets or for an unknown quantity of unused supplies at year-end. Also, it did not perform other recordkeeping procedures for \$216,484 of capital assets to ensure that these assets were properly controlled and safeguarded; that accounting records were updated, accurate, and complete; and that balances were correctly reported in the financial statements. Additionally, we identified \$887,105 in misstatements and misclassifications related to capital assets that the County corrected, but we were unable to determine if any additional adjustments or disclosures were necessary related to capital assets reported in the governmental activities. Further, although the County purchased approximately \$661,271 of supplies during fiscal year 2025, the County's records did not support what portion of this amount, as well as any supplies purchased in previous years, remained unused as of June 30, 2025, and should have been reported as supplies inventory in its financial statements. Consequently, we were unable to obtain sufficient appropriate audit evidence to determine what inventory and fund balance statement line items should have been reported in the County's Highway User Revenue Fund.

Report on 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) as a basis for designing 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 weaknesses 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 that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-01 and 2025-02 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-03, 2025-04, 2025-05, 2025-06, 2025-07, and 2025-08 to be significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2025-01, 2025-04, 2025-05, and 2025-06.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other 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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

September 24, 2026



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

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 the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Greenlee County, Arizona

Report on compliance for each major federal program

Qualified and unmodified opinions

We have audited Greenlee County's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on the Public Health Emergency Preparedness Program

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Public Health Emergency Preparedness Program, Assistance Listings number 93.069, for the year ended June 30, 2025.

Unmodified opinion on each of the other major federal programs

In our opinion, the 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for qualified and unmodified opinions

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 U.S. Comptroller General, and the audit requirements of Title 2 U.S.

Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matters giving rise to qualified opinion on the Public Health Emergency Preparedness Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding its Public Health Emergency Preparedness Program, Assistance Listings number 93.069, as described in finding number 2025-102 for allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- ▶ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ▶ Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures

include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- ▶ Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2025-101 and 2025-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 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 item 2025-102 to be a material weakness.

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 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 item 2025-101 and 2025-103 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County’s responses to the noncompliance and internal control over compliance findings that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County’s responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the County’s governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We issued our report thereon dated September 24, 2026. We qualified our opinion on the governmental activities and the Highway User Revenue Fund (HURF) because we were unable to obtain sufficient appropriate audit evidence for the activity listed in the table below.

Opinion unit	Financial statement line items and related disclosures
Governmental activities	Capital assets balances, including related disclosure
Major fund—Highway User Revenue Fund	Inventory and fund balance line items

Specifically, the County did not perform inventorying procedures for nearly \$4.2 million of capital assets or for an unknown quantity of unused supplies at year-end. Also, it did not perform other recordkeeping procedures for \$216,484 of capital assets to ensure that these assets were properly controlled and safeguarded; that accounting records were updated, accurate, and complete; and that balances were correctly reported in the financial statements. Additionally, we identified \$887,105 in misstatements and misclassifications related to capital assets that the County corrected, but we were unable to determine if any additional adjustments or disclosures were necessary related to capital assets reported in the governmental activities. Further, although the County purchased approximately \$661,271 of supplies during fiscal year 2025, the County’s records did not support what portion of this amount, as well as any supplies purchased in previous years, remained unused as of June 30, 2025, and should have been reported as supplies inventory in its financial statements. Consequently, we were unable to obtain sufficient appropriate audit evidence to determine what inventory and fund balance statement line items should have been reported in the County’s Highway User Revenue Fund.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

September 24, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. generally accepted accounting principles

Unmodified for all opinion units except for the governmental activities and the Highway User Revenue Fund, which were qualified.

Is a going concern emphasis-of-matter paragraph included in the auditors' report? No

Internal control over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major federal program(s)

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major federal program(s) and types of auditors' reports issued on compliance

Assistance Listings number(s)	Name of federal program or cluster	Auditors' report type
10.557	WIC Special Supplement Nutrition Program for Women, Infants, and Children	 Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	 Unmodified
93.069	Public Health Emergency Preparedness	 Qualified

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

The County issued its Annual Financial Report 6 months late, and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed

Condition

Contrary to State law, the County issued its Annual Financial Report (AFR) for the year ended June 30, 2025, 6 months later than required. Further, contrary to U.S. generally accepted accounting principles (GAAP), the County’s initial financial statements submitted to us contained errors we identified and recommended the County correct so that the County’s financial statements and note disclosures would contain accurate information. The County’s CFO and support staff subsequently corrected these errors from original drafts, including the significant misstatements and misclassifications shown in Table 1 below.

Table 1

County’s initial AFR submitted to us contained \$887,105 of significant misstatements and misclassifications over capital assets in the governmental activities and related note disclosures

Year ended June 30, 2025

Error	Misstatement or misclassification	Description of misstatement or misclassification	Error amount
1	Misclassification	The County did not reclassify 2 construction-in-progress projects completed prior to June 30, 2025, as buildings and improvements.	\$396,000
2	Misstatement	The County recorded machinery and equipment that was acquired after June 30, 2025.	285,108
3	Misclassification	The County reclassified 1 construction-in-progress project as buildings and improvements despite the project not being completed as of June 30, 2025.	95,420

Error	Misstatement or misclassification	Description of misstatement or misclassification	Error amount
4	Misclassification	The County did not reclassify 1 construction in progress project completed prior to June 30, 2025, as a land improvement.	79,090
5	Misstatement	The County recorded a construction in progress addition that was previously reported as a land improvement addition in its prior-year financial statements.	17,591
6	Misstatement	The County recorded a construction-in-progress project addition for an expenditure that was voided in the general ledger.	13,896
Total			\$887,105

Source: Auditor General staff review of the County's draft financial statements as of June 30, 2025.

Additionally, the County failed to issue its June 30, 2024 AFR, in a timely manner which further delayed the completion of the June 30, 2025, AFR. Finally, as described in Finding 2025-02, the County did not perform inventorying and other recordkeeping procedures for its nearly \$4.2 million of machinery and equipment capital assets and an unknown quantity of unused supplies at year-end, and we were unable to determine whether any further financial statement adjustments or additional disclosures were necessary.

Effect

The County did not provide timely financial information to its Board of Supervisors and others who rely on it to make important decisions about the County's operations. Additionally, because the County had not issued timely financial statements, its Annual Expenditure Limitation Report (AELR), which relies on information from the financial statements and was due 9 months after fiscal year-end, will also be issued late.

In addition, while the County corrected the errors we identified in Table 1 before issuing its final financial statements but without implementing corrective action to improve its financial reporting process, there is an increased risk that the County's financial statements could contain significant errors that are not discovered and further misinform those who are relying on the information.

Finally, as described in Finding 2025-02, we were unable to determine what balance should be reported on the financial statements for unused supplies as of June 30, 2025, or whether any adjustments to the machinery and equipment balances or additional disclosures were necessary. Consequently, we issued a qualified opinion on the financial statement opinion for governmental activities for the machinery and equipment portion of the capital asset balance and for the Highway User Revenue Fund for the omission of inventory balances.

Cause

The County outsourced the preparation of its financial statements to a CPA firm in April 2017 without developing and implementing processes to require management or an independent knowledgeable individual to oversee and review the financial statement preparation process, including the information provided to the CPA firm by the County, and to monitor the CPA firm's progress to ensure established deliverable deadlines for key financial information were met. Specifically, the County did not review accounting records prior to providing them to the CPA firm to ensure the financial statements were accurate, complete, and adequately supported because the County lacks written policies and procedures for preparing its financial statements. In fact, the County did not provide accurate accounting records for capital assets to the CPA firm for inclusion in the financial statements. In addition, the County's informal review process of the financial statements prepared by the CPA firm did not detect these errors.

Finally, the County's capital assets policy lacked detailed step-by-step capital asset recordkeeping procedures, further detailed in finding 2025-02.

Criteria

State law requires the County to issue its audited financial statements and AELR within 9 months after fiscal year-end, or by March 31, 2026 (Arizona Revised Statutes §41-1279.07[C]). Also, the Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with County governance and management, and others who rely on the reported financial information to make important decisions about the County's financial operations.

Further, designing, implementing, and maintaining effective policies and procedures is necessary to achieve the County's financial reporting objectives and is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.¹

Recommendations to the County

1. Issue the County's AFR by the statutory deadline.
2. Provide accurate and key financial information to auditors timely to ensure issuance of its audited AFR on time.
3. Prepare the financial statements, associated note disclosures, and supporting schedules accurately and in accordance with GAAP.

¹ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved on 6/20/26 from <https://www.gao.gov/assets/670/665712.pdf>

Develop and implement written policies and procedures for preparing its financial statements in accordance with GAAP and train responsible employees on step-by-step procedures to:

4. Monitor the CPA firm's progress to ensure established deadlines for key financial information are met.
5. Require management or an independent knowledgeable individual to review the accounting records prior to providing them to the CPA firm to ensure the financial statements are accurate, complete, and adequately supported.
6. Require management or an independent knowledgeable individual to review the County's financial statements prepared by the CPA firm. This review should ensure that the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP and to detect and correct misstatements in the financial statements before providing them for audit.

This finding is similar to prior-year finding 2024-01 and was initially reported in fiscal year 2023.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County did not perform inventorying procedures for nearly \$4.2 million of capital assets and unused supplies at year-end, and it did not tag or track an additional \$216,484 in capital assets, resulting in a qualified opinion on the financial statements and an increased risk that machinery and equipment and supplies could be stolen, lost, or misused

Condition

Contrary to U.S. generally accepted accounting principles (GAAP), the County's Chief Financial Officer (CFO) and support staff and Public Works Department did not perform inventorying procedures for capital assets totaling nearly \$4.2 million and an unknown quantity of unused supplies at year-end and other recordkeeping procedures for \$216,484 of capital assets to ensure that they were controlled and safeguarded; that accounting records were updated, accurate, and complete; and that balances were correctly reported in the financial statements.

Specifically, we found:

▶ **The County did not perform an inventory for machinery and equipment capital assets every 2 years as required**

Contrary to County policy, the County's CFO reported the County did not perform an inventory of capital assets classified as machinery and equipment since 2018. As of June 30, 2025, the County's machinery and equipment reported in governmental activities was nearly \$4.2 million, comprising nearly 8.2% of the County's total assets and deferred outflows of resources for the year.

▶ **The Public Works Department did not perform a year-end inventory of unused supplies and did not report an inventory balance on its financial statements as required**

We found that the County purchased approximately \$661,271 of supplies during fiscal year 2025 to conduct County functions, such as maintaining streets and repairing or fueling County vehicles and equipment. However, it is unclear what portion of this amount and supplies purchased in previous years remained unused as of June 30, 2025, and should have been reported on its financial statements in the Highway User Revenue Fund (HURF).

► **The County's CFO and support staff did not perform other recordkeeping procedures to tag and/or track \$216,484 of capital assets as shown in Table 1**

Specifically:

- For 3 of 5 buildings and improvements with a total value of \$162,684 and 1 of 4 land improvement items tested with a total value of \$21,473, the County did not document identifying information, such as project name, in the capital assets system to clearly link costs to specific improvements.
- For 6 of 17 machinery and equipment items tested with a total book value of \$32,327, the County did not attach either a numerical County tag or identify an alternative identifying number specific to the asset and record such information in the capital assets system.

Table 1

The County did not perform recordkeeping procedures for \$216,484 of capital assets as of June 30, 2025

Year ended June 30, 2025

Purchase type	Number of transactions tested	Number of noncompliant transactions	Capital asset book value amount associated with noncompliant transactions
Buildings and improvements	5	3	\$162,684
Machinery and equipment	17	6	32,327
Land improvements	4	1	21,473
Total	26	10	\$216,484

Source: Auditor General staff review of County policies and procedures, capital assets system, inventory system, and financial statements as of June 30, 2025.

Effect

The County's not performing and maintaining a physical inventory of machinery and equipment and unused supplies at year-end or not tagging and tracking its capital assets increased the risk that:

- ▶ The County does not know what capital assets it has resulting in the County's financial statements potentially containing significant errors and misinforming those who are relying on the information (see Finding 2025-01 for capital asset misstatements and misclassifications we identified that may have been prevented if inventory and recordkeeping procedures were in place).
- ▶ The County's assets and supplies were not safeguarded and exposed to potential theft, loss, and misuse.
- ▶ The County's supplies are overstocked, understocked, spoiled, or obsolete.

Further, we were unable to determine what balance should be reported on the financial statements for unused supplies as of June 30, 2025, or whether any adjustments to the machinery and equipment balances or additional disclosures were necessary. Consequently, we issued a qualified opinion on the financial statement opinion for governmental activities for the machinery and equipment portion of the capital asset balance and HURF for the omission of inventory balances.

Cause

The County's CFO did not designate and train staff to perform an inventory of machinery and equipment at least once every 2 years. Also, the CFO's support staff reported that assets were not tagged and/or tracked because departments did not notify them when they received and placed the assets into operation. Further, the CFO's support staff responsible for recordkeeping control procedures lacked necessary skills, knowledge, and experience necessary to appropriately tag and track capital assets in the capital assets system.

Also, the County's capital assets policy lacked detailed requirements for inventorying and tagging and tracking procedures, such as:

- ▶ Maintaining inventory documentation to evidence the procedures performed.
- ▶ Reconciling the inventory results with the capital asset records to ensure they are accurate and complete.
- ▶ Tagging machinery and equipment items with a prenumbered, numerically controlled, and sequentially issued County tag or alternative identifying number that is recorded in the capital assets system.
- ▶ Documenting identifying information in the capital assets system or a subsidiary list including details for constructed assets or group assets such as improvements to land or buildings to clearly link costs to specific improvements.

Although the Public Works Department has an inventory system that allows the recording and monitoring of useful inventory information, the County lacks policies and procedures for performing and maintaining a physical inventory of its supplies, including:

- ▶ Describing the inventory procedures to follow.
- ▶ Maintaining detailed records of supply purchases and inventory results.
- ▶ Safeguarding supplies inventory.
- ▶ Minimizing the risk of holding excessive or inadequate inventories to meet County requirements.
- ▶ Disposing of obsolete or damaged supplies inventory.

Criteria

The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to report its capital assets and supplies inventory in accordance with GAAP. In addition, federal regulation requires the County to perform a physical inventory of its machinery and equipment acquired with federal awards and reconcile the results to the County's records at least once every 2 years (2 Code of Federal Regulations [CFR] §200.313[d][2]). Federal regulation also requires maintaining an inventory of unused supplies acquired with federal awards to provide compensation to the federal agency or pass-through entity for their portion of unused supplies (2 CFR §200.314). The County's capital assets policy requires an inventory of equipment and vehicles to be conducted every 2 years prior to June 1.¹

Further, the County has a responsibility to implement controls and ensure individuals responsible for implementing these controls have the relevant skills, knowledge, and experience, which are gained largely from professional experience, training, and certifications. Finally, developing, documenting, and implementing policies and procedures for inventorying and other recordkeeping for the County's capital assets, such as machinery and equipment and supplies inventory, and ensuring competence in employees responsible for capital asset recordkeeping, is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, to ensure the County's financial reporting and related compliance objectives are achieved.²

Recommendations to the County's CFO

1. Follow the County's existing capital assets policy to designate staff to perform a complete physical inventory of machinery and equipment capital assets located at all its departments at least once every 2 years.

¹ Greenlee County capital assets policy. (December 7, 2010).

² U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 6/12/2026 from <https://www.gao.gov/assets/670/665712.pdf>

Update County policies and procedures to effectively control, safeguard, and report capital assets, including depreciation, by including detailed capital asset tracking and inventorying requirements to:

2. Maintain inventory documentation evidencing the procedures performed.
3. Reconcile the inventory results to the capital assets records to ensure they are accurate and complete.
4. Require departments to notify the CFO and support staff when assets are received to ensure machinery and equipment assets are tagged before being placed into operation.
5. Tag all machinery and equipment assets with a prenumbered, numerically controlled, and sequentially issued County tag and record the tag number in the capital assets system. Alternatively, assets can be marked with an identifying number or specifically identified by some other means such as a serial number.
6. Document identifying information in the capital assets system or a subsidiary list that includes details for constructed assets or group assets such as improvements to land or buildings to clearly link costs to specific improvements.
7. Train employees responsible for performing or reviewing the results of the capital asset and supplies inventories, and employees responsible for reconciling the results to the accounting records and preparing the financial statements, to ensure accurate information is reported in the financial statements.
8. Ensure CFO support staff responsible for recordkeeping control procedures have the necessary skills, knowledge, and experience.

Recommendations to the Public Works Department

Develop and implement policies and procedures to effectively control, safeguard, and report supplies inventory, including requirements to:

9. Perform an annual inventory of supplies and materials held by the County near the end of each fiscal year.
10. Describe the inventory procedures to follow, including identifying the inventory locations, responsible individuals, valuation methodologies, and cost flow assumptions.
11. Utilize its inventory system to maintain detailed records of supply purchases and inventory results.
12. Safeguard supplies inventory by separating the responsibility for custody of inventory from that of maintaining inventory records, storing supplies in secured locations, and limiting physical access to the inventory locations.

13. Establish minimum and maximum stock levels to minimize the risk of holding excessive or inadequate inventories to meet County requirements.
14. Identify and dispose of obsolete or damaged supplies inventory.

This finding is similar to prior-year finding 2024-02 and was initially reported in fiscal year 2024.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County allowed 9 hourly employees to self-approve their time sheets and did not require supervisory review and approval to ensure accuracy, including 5 employees who self-approved \$103,063 in overtime costs, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution

Condition

The County allowed 9 hourly employees to self-approve their time sheets in the County timekeeping system and did not require supervisory review and approval to ensure accuracy or post-reviews of their time sheets or payroll monitoring to verify accuracy of hours charged, including overtime.

For example, 6 of the 9 hourly employees did not receive supervisory approval on at least 1 of their time sheets, and 5 of 9 employees did not receive approval on 1,971 overtime hours, totaling \$103,063 in overtime costs that the County paid during fiscal year 2025. Most of these overtime hours were charged by 1 employee who self-approved all his own time sheets during fiscal year 2025. Specifically, the County paid this employee \$94,530 for a reported 1,768 overtime hours during fiscal year 2025, without requiring supervisory approval or written justification. The overtime costs more than doubled his annual salary of \$73,831 for fiscal year 2025.¹

Effect

The County's allowing 9 hourly employees to self-approve their time sheets and not requiring supervisory review and approval or conducting post reviews of time sheets or payroll monitoring increased the risk of fraud and misuse of public monies for almost \$690,000 in wages and overtime costs the County paid to all 9 hourly employees during fiscal year 2025. The County is at risk of employees intentionally or unintentionally misreporting their hours worked or leave taken, which could result in overpaying them and possible violations of the Arizona Constitution if overpayments occur. Further, when public monies are misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

¹ This employee reported 1,768 hours of overtime in fiscal year 2025 for an average of 34 hours per week and stated he was given verbal approval from his former supervisor to work the additional hours to ensure minimum staffing requirements and coverage for his department. This employee's former supervisor left the County in November 2024 and was unavailable for an explanation. However, this employee's new supervisor reported that he was not aware of his predecessor's verbal approval of this employee's overtime until May 2025 when he noticed the large overtime use during his department's budget review. He immediately stopped the practice, required a supervisory approval for all employee time sheets, and requested County management to remove this employee's time sheet self-approval access.

Cause

The County had not restricted its timekeeping system access to prevent County employees from reviewing and approving their own time sheets and had not established designated supervisors to be responsible for reviewing and approving these time sheets. Specifically, the County granted supervisory access to 9 hourly employees that allowed the employee to approve employee time sheets including their own. However, 8 of the 9 employees also had a supervisor designated who approved some of their time sheets.

Further, the County's payroll policies lacked procedures for processing time sheets, including review and approval requirements or post-review or payroll-monitoring requirements, and the County had not trained employees in how to use the County's timekeeping system.

Criteria

The County developing, documenting, and implementing effective policies and procedures over processing time sheets and monitoring payroll are an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring public monies are not fraudulently or mistakenly misused.² Further, the Arizona Constitution, Art. IX, Sec. 7, bans gifts or loans of public monies, which would include payroll overpayments, to individuals by counties.

Recommendations to the County

1. Perform a supervisory review and approval for each hourly employee's time sheet to help reduce the risk of fraud and misuse of public money.
2. Restrict the timekeeping system to no longer allow employees to self-approve their time sheets and ensure all employees' time sheets are independently reviewed and approved by County-designated supervisors prior to closing payroll. If system access cannot be restricted, develop additional monitoring procedures of hourly employees' payroll activities, such as performing independent post-reviews of their time sheets, and monitoring their payroll activity, such as overtime hours charged or leave taken.
3. Develop, document, and implement written policies and procedures for processing time sheets, using the timekeeping system, and monitoring payroll and train responsible employees on them.

² U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 5/28/26 from <https://www.gao.gov/assets/670/665712.pdf>

This finding is similar to prior-year finding 2024-03 and was initially reported in fiscal year 2024.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County paid \$48,505 for merchandise, lodging, training, meals, airfare, and other expenses using credit cards without complying with policies and procedures and did not ensure \$2,064 of these purchases were for authorized County business purposes, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Condition

Contrary to its policies, the County paid \$48,505 in fiscal year 2025 for merchandise, lodging, training, meals, airfare, and other expenses for 60 credit card purchases we reviewed that were not in compliance with county policy, as described in the bullets below and shown in Table 1 on the subsequent page:

- ▶ For all 60 transactions totaling \$48,505, the County did not document the date prior approval was obtained.
- ▶ For 3 transactions totaling \$3,350, the County did not ensure receipts were submitted within 5 business days, or ever.
- ▶ For 8 transactions totaling \$1,174, the County paid for meals outside of its travel policy and did not ensure employees were in travel status.
- ▶ For 1 transaction totaling \$185, the County paid more than its maximum lodging allowance.

Further, for 12 of the 60 credit card purchases we selected, the County did not have a process to ensure \$2,064 of these purchases were authorized for County business purposes or a documented public purpose, as described in the bullets below and shown in Table 1 on the subsequent page:

- ▶ For 9 credit card purchases, totaling \$1,441, the County paid for meals during training, events, or business meetings for employees and nonemployees who were not in travel status, contrary to its policies.

Specifically:

- \$527 for meals from Single Jack Restaurant for 25 poll workers who attended a 3-hour elections training course.
- \$103 for meals from Little Frisco for a Southeastern Arizona Governments Organization (SEAGO) meeting that consisted of non-County employees.

- \$267 for meals from El Charro for 4 County employees and 24 non-County employees for Attorney Dependency Training.
- \$126 for meals from Casa Manana for 5 County employees to discuss business regarding the fairgrounds.
- \$197 for meals from Little Frisco for the Early Ballot Election Board for 11 County employees.
- \$110 for meals from Little Frisco for 5 County Board members.
- \$67 for meals from Ranch House Restaurant for the County administrator and County consultant.
- \$44 for meals from Denny's for the County administrator and County consultant.
- ▶ For 2 credit card purchases totaling \$573, the County paid for lodging costs for various non-County employees, including a livestock judge and band for the County Fair.
- ▶ For 1 credit card purchase totaling \$50 the County donated public monies to the State Bar of Arizona while paying for its chief deputy county attorney to renew his license to practice law.

Table 1

The County failed to comply with its policies and procedures for \$48,505 of credit card purchases and did not ensure \$2,064 of these purchases were for authorized County business purposes

Year ended June 30, 2025

Purchase type	Number of noncompliant transactions	Purchase amount associated with noncompliant transactions	Number of transactions lacking authorized County business purpose	Purchase amount associated with lacking authorized County business purpose
Merchandise	15	\$25,536	0	\$0
Lodging	11	6,146	2	573
Training	9	6,001	0	0
Meals	16	4,322	9	1,441
Other	7	3,387	1	50
Airfare	2	3,113	0	0
Total	60	\$48,505	12	\$2,064

Source: Auditor General staff review of County credit card activity, bank statements, invoices, and other miscellaneous documentation.

Effect

The County put public monies at risk of being misspent or misused, which could also be a possible violation of the Arizona Constitution's ban on gifts or loans of public monies. Further, when public monies are misspent or misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

Cause

The County did not provide periodic training to its employees about its credit card and travel reimbursement policies, and the policies and procedures lacked sufficient details to detect or prevent potential misuse of public monies. Further, the County lacked sufficient credit card review procedures to help detect noncompliance with policies. Specifically, the County had 3 credit cards—1 assigned to the County administrator, 1 assigned to the library district, and 1 shared amongst other County employees—and it did not provide periodic training to its credit card users and approvers over its credit card and travel reimbursement policies or require employees to sign an acknowledgement form stating they will follow County policies prior to allowing them to use a credit card.

Also, the County's policies and procedures did not require documentation to support the County business purpose or specify unallowable and allowable credit card uses and explain what would constitute an acceptable use of public monies, including whether public monies could be used for nontravel meal purchases during trainings, events, or business meetings with nonemployees, or lodging for nonemployees.

In addition, the County's policies and procedures did not specify that:

- ▶ Itemized receipts are required.
- ▶ Follow up procedures should be performed when receipts or a written explanation were not provided within 5 business days, such as seeking reimbursement from the employee or revoking the privilege to use the credit card.
- ▶ Specify penalties for purchasing cardholders who violate County policies.

Further, the credit card review process was not clearly defined in the credit card policy, and it was not effective at detecting noncompliance with County policies. Specifically, although the County's credit card policy required prior approvals, it did not include the requirement to document the prior approval, and there was no requirement to perform or document post purchase approvals to ensure County policies were followed. County management reported that it did perform both pre- and post-purchase approvals and documented them on the credit card transaction form that was typically prepared the day the transaction occurred. However, the approvals were not dated, and it was not clear whether or when a prepurchase approval occurred, and the preapproval should have been obtained prior to preparing the credit card transaction form, as specified in the credit card policy. Also, the review process was not effective at detecting noncompliance with County policies, such as meal and lodging costs exceeding the County's allowable rates and missing required receipts or written explanations.

Criteria

The County's credit card policy requires cardholders to obtain prior approval from authorized personnel before making purchases and to submit receipts for all purchases within 5 business days or provide a written explanation in place of missing receipts within 5 business days including the transaction amount, written description of the purpose, and required approval.¹

Additionally, the County's travel reimbursement policy requires cardholders to complete a credit card transaction form after preapproval is obtained. This policy also outlines the travel status qualifying criteria and establishes maximum reimbursement rates for lodging and meals, as follows:²

- ▶ Travel must be outside a 35-mile radius from the employee's duty post for meal reimbursement consideration, and meal reimbursement for travel from the Morenci/Clifton area to Duncan or the reverse are not allowed.
- ▶ Breakfast is reimbursable if the traveler leaves at or before 6 a.m. Lunch is reimbursable if the traveler is in travel status for at least 6 hours or more and travel commences on or before 11 a.m. and concludes at or after 2 p.m. Dinner is reimbursable when travel extends to 7 p.m. or beyond and when the workday is extended by 2 hours. Dinner is also reimbursable when an employee leaves for overnight travel on or before 6:00 p.m.
- ▶ In-State meal reimbursements are \$10 for breakfast, \$15 for lunch, and \$25 for dinner.
- ▶ Special circumstances for meal reimbursements may be allowed if preapproved and adequately supported.
- ▶ Lodging rates are to follow the maximum lodging allowances for State agencies as outlined by the Arizona Department of Administration.

Finally, State law bans gifts or loans of public monies by counties to individuals, which could potentially include purchasing card expenditures that are not reviewed and approved and not authorized by County policies (Arizona Constitution, Art. IX, Sec. 7).

Recommendations to the County

Require credit cardholders to follow the County's policies and procedures to:

1. Obtain prior approval from authorized personnel before making purchases.
2. Limit meal and lodging costs to the maximum allowable rates or obtain preapproval and adequately support special circumstances for meal reimbursements.
3. Submit receipts for all purchases within 5 business days or provide a written explanation in place of missing receipts within 5 business days including the transaction amount, written description of the purpose, and required approval.

¹ Greenlee County. (June 2024). *Credit Card Policy and Procedures*.

² Greenlee County. (November 2023). *Travel Reimbursement and Travel Cash Advance Policy*.

Update and implement changes to its existing County policies and procedures to:

4. Specify unallowable uses, such as for personal use and for alcoholic beverages.
5. Specify allowable credit card uses such as the allowability of nontravel meal purchases during trainings, events, or business meetings with nonemployees, or lodging for nonemployees, and under what circumstances these purchases would be an acceptable use of public monies, such that they would serve a public purpose and benefit the County and its residents.
6. Specify that required prior approvals from authorized personnel must be documented. This should include documentation demonstrating or explaining the purchases' public purpose and benefit.
7. Require post purchase approvals from authorized personnel after making purchases to ensure County policies are followed.
8. Require cardholders to obtain itemized receipts for all purchases. This will ensure charges for items such as meals and lodging do not include unallowable items, such as alcoholic beverages.
9. Perform follow up procedures when receipts or a written explanation is not provided within 5 business days, such as seeking reimbursement from the employee or revoking the privilege to use the credit card.
10. Require periodic training for all County credit card users and approvers. The training should provide clear guidance on obtaining pre- and post-purchase approvals, the documentation required both before and after a transaction, and the expected level of detail when describing the County business purposes of each purchase.
11. Require cardholders to sign an acknowledgement form stating that they agree to follow County policies prior to being authorized to use a credit card.
12. Specify penalties for purchasing cardholders who violate County policies, including reimbursement for inappropriate purchases and revocation of card privileges.
13. Review the meal and lodging expenses that exceeded allowable rates and the other costs we identified that may not have served a County business purpose, and if such expenses are deemed inappropriate, require the cardholders to reimburse the County for the excess or inappropriate amounts.

This finding is similar to prior-year finding 2024-04 and was initially reported in fiscal year 2020.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County did not obtain annual conflict-of-interest disclosure statements from 38 elected officials and employees and the contracted health director, increasing the risk that undisclosed substantial interests could affect their official conduct

Condition

Contrary to State conflict-of-interest laws, the County did not ensure that all elected officials and employees submitted an annual and/or updated conflict-of-interest disclosure statement during fiscal year 2025.

Specifically, for 38 of 41 elected officials and employees we tested, the County did not ensure that the elected official or employee submitted an annual and/or updated conflict-of-interest disclosure form during fiscal year 2025, including:

- ▶ 1 elected official who did not submit an annual conflict-of-interest disclosure statement after he was sworn in and began his term on January 1, 2025.
- ▶ 17 elected officials and 20 employees whose last conflict-of-interest disclosure statements were certified between December 2017 and December 2023, or between 6 months and 6.5 years prior to fiscal year 2025.

Additionally, the County did not ensure that all individuals providing professional services and acting in roles unique to County employees, such as the County's contracted health director as described in Finding 2025-102, disclose all substantial financial interests, including their own companies during fiscal year 2025, and do not participate in any activities that involve any disclosed substantial financial interest. Further the County did not monitor payments made to any disclosed companies for potential conflicts of interest for already existing disclosure statements.

Effect

The County's failure to ensure that all elected officials, employees, and the contracted health director submitted annual and/or updated conflict-of-interest disclosure statements limited public transparency and the County's ability to identify and remediate conflicts. It also increased the risk that elected officials, employees, or the contracted health director may have undisclosed substantial interests that could influence or affect their official conduct.

Cause

The County lacked written conflict-of-interest policies and procedures, including:

- ▶ Requiring a clear explanation of all the required elements of disclosure, how the County would review or remediate conflicts of interest, or the consequences of noncompliance.

- ▶ Reviewing conflict-of-interest disclosure statements to ensure they are complete and accurate to determine if a conflict of interest exists.
- ▶ Maintaining a special file of disclosed substantial interest.
- ▶ Monitoring and tracking whether all elected officials, employees, and the contracted health director provided a complete conflict-of-interest disclosure statement after initial request and following up with those who did not do so.

Further, County management last requested all elected officials and employees to complete an annual conflict-of-interest disclosure statement on January 9, 2023.

Criteria

State conflict-of-interest laws require County public officers, including elected officials, and employees to avoid conflicts of interest that might influence or affect their official conduct. To determine whether a conflict of interest exists, employees/public officers must first evaluate whether they or a relative has a “substantial interest” in (1) any contract, sale, purchase, or service to the County or (2) any County decision. If an employee/public officer or a relative has a substantial interest, State laws require the employee/public officer to fully disclose their interest and refrain from voting upon or otherwise participating in the matter in any way as an employee/public officer. The interest must be disclosed in the County’s official records, either through a signed document or the Board of Supervisor’s official minutes. State laws require counties to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and County meeting minutes, and to make this file available for public inspection (A.R.S. §§38-501 through 38-511).

Additionally, the County has a responsibility to implement internal controls that facilitate oversight of external parties that provide contracted services in support of its business operations, including establishing 2-way communication and compliance measures to ensure effective stewardship of public resources.

To help ensure compliance with these requirements, the County’s conflict-of-interest disclosure statement requires elected officials and employees to disclose conflicts-of-interest or attest that they do not have any of these potential conflicts, if applicable, also known as an “affirmative no.”

Further, establishing policies and procedures to ensure that all employees and public officials comply with conflict-of-interest State laws and oversee contracted professional services is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and integral to ensuring public transparency and identifying and remediating conflicts.

Recommendations to the County

Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State requirements:

1. Requiring employees, Board members, and individuals providing professional services and acting in roles unique to County employees, such as the contracted health director, to complete a conflict-of-interest disclosure form upon hire/ appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.
2. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.
3. Establishing a process to review and remediate disclosed conflicts.
4. Provide periodic training to employees and public officials on its conflict-of-interest requirements, processes, and disclosure statement that include information about the State's conflict-of-interest requirements and examples of conflicts such as financial, family relationships, outside businesses, and gifts.
5. Monitor payments made to any disclosed companies to detect and remediate potential conflicts of interest.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County did not follow its purchasing policy, and conduct required competitive procurement for over \$575,000 in goods and services, resulting in noncompliance with statutory regulations and an increased risk that procured goods and services are not at the most economical price

Condition

Contrary to State law and the County's purchasing policy, various departments did not consistently follow required approval processes or competitive purchasing requirements and obtain and/or maintain complete required documentation to support vendor selection for 10 of 25 procurements tested, as described in the bullets below and shown in Table 1 on the subsequent page:

- ▶ The Sheriff's department did not perform a formal sealed competitive bid for vehicle purchases totaling \$153,235.
- ▶ The Public Works department did not obtain Board of Supervisors prior approval and document 3 written quotes for 1 procurement of electrical services totaling \$36,732.
- ▶ The Health, Public Works, and Fairgrounds departments did not obtain and/or document 3 oral quotes for 4 procurements of fair entertainment services and educational materials totaling \$29,692.
- ▶ The Public Works department and County Administration did not document justification for competition impracticable/sole source for 4 vendors that provide maintenance and other services related to the telecommunication system and equipment, software and technology, and security system totaling \$357,203.

Table 1

Several County departments and County Administration did not comply with State law and the County's purchasing policy for 10 of 25 procurements of goods and services totaling \$576,862

Year ended June 30, 2025

Department initiating procurements	Number of noncompliant procurements by identified issue				Dollar amount of noncompliant procurements
	Lacked 3 oral quotes (procurements between \$5,000 and \$15,000)	Lacked 3 written quotes and the Board's prior approval (procurements between \$15,000 and \$100,000)	Lacked competitive sealed bid (procurements in excess of \$100,000)	Lacked documented justification for impracticable competition/sole source	
County Administration	0	0	0	3	\$351,365
Sheriff	0	0	1	0	153,235
Public Works	1	1	0	1	48,170
Fairgrounds	2	0	0	0	17,000
Health	1	0	0	0	7,092
Total	4	1	1	4	\$576,862

Source: Auditor General staff review of County procurement activities and related procurement documentation.

Effect

By not following County purchasing policies and procedures, there is an increased risk that the County may have overpaid for purchased goods or services or prevented the County from obtaining goods and services at the most economical price and in a fair, competitive manner.

Cause

The County did not have controls in place to ensure that required procurement steps were documented and retained. Departments relied on informal, verbal processes without a mechanism to create or maintain an audit trail, and oversight procedures were not sufficient to verify that written quotes, sealed bid documentation, or Board of Supervisors' approvals were obtained before purchases were made.

Additionally, County management informed us that because of the County's rural location, the County receives few or no responses to bid solicitations, which limits the County's ability to select the most economical price. Further, they informed us that County Administration believed it had no authority to require departments receiving certain restricted monies, such as jail enhancement funds distributed to the County Sheriff, to comply with the County's purchasing policy.

Criteria

County purchasing policy requires all departments to follow competitive procedures for purchases of materials, equipment, vehicles and general services pursuant to State law.^{1,2} Specifically, County policy requires that purchases between \$5,000 and \$15,000 require 3 oral quotes. Purchases between \$15,000 and \$100,000 require 3 written quotes and prior approval from the Board of Supervisors. Purchases exceeding \$100,000 require a formal, sealed competitive bid. Additionally, if the purchase is only available through a sole source vendor, the purchase must be approved by the County Administrator when the purchase amount is between \$5,000 and \$15,000 and the Board of Supervisors when it is greater than \$15,000, and each sole source purchase must have a documented explanation on the purchase order.

Recommendations to the County

1. Monitor departments' adherence to the County's policies and procedures for purchasing goods and services, and follow up with departments that do not meet procurement documentation requirements.
2. Train all staff involved in the purchasing process on the County's procurement policies and procedures.
3. Establish a centralized review to verify required approvals, quotes, competitive bids, and documentation have been obtained before payment or purchase order processing.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ Greenlee County. (May 2021). *Purchasing Policy*.

² A.R.S. §11-254.01, County purchasing procedures; purchases to be based on competitive bids; content and issuance of invitations and specifications; basis of awards and rejection of bids; professional services; buildings.

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition

The County's process for managing and documenting its risks did not include an overall risk-assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

Effect

The County's administration may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause

The County's administration outsourced the IT support services and processes to a vendor as of October 2022 to identify, analyze, and reduce risks for the County without developing procedures to ensure the contracted professional support services were received as prescribed in the contract terms and subsequently dissolved the County's IT department in July 2023. Specifically, the County did not conduct effective oversight of its contracted professional support services or establish a process for the County to assess if services received were performed as agreed upon and sufficient to fulfil the County's needs. Further, the County's administration reported that the vendor started to draft policies and procedures over the areas listed in the condition above, but not all policies were drafted and presented to County governance for review and approval and implemented before the fiscal year ended.

Criteria

Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk-assessment process that involves members of the County's administration with the assistance of the County's contracted professional IT support. An effective risk-assessment process helps the County

determine the risks it faces as the County seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and compliance and service objectives. Additionally, an effective risk-management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information and the process of evaluating risk of losing the continuity of business operations in the event of a disaster or system interruption.

Further, developing and implementing policies and procedures for managing contracted professional services is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring the County's financial reporting and related compliance objectives are achieved.¹

Recommendations to the County

1. Develop, document, and implement policies and procedures to effectively monitor contracted professional support services received to ensure they adhere to the contract terms and fulfil the County's needs, including ensuring the vendor develops and documents IT policies and procedures to identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
2. Perform an annual entity-wide IT risk-assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate our outdated system security.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
4. Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations, such as public safety and payroll and accounting, and determine how to prioritize and plan for recovery.

¹ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 6/20/25 from <https://www.gao.gov/assets/670/665712.pdf>

This finding is similar to prior-year finding 2024-05 and was initially reported in fiscal year 2023.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition

The County's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its information technology (IT) systems and data. The County lacked sufficient procedures over the following:

▶ **Restricting access**

Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

▶ **Managing system configurations and changes**

Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.

▶ **Securing systems and data**

IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

▶ **Ensuring operations continue**

Contingency plan lacked up-to-date key elements related to restoring operations in the event of a disaster or other system interruption.

Effect

There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause

The County's administration outsourced the IT support services for the County to a vendor as of October 2022 without developing procedures to ensure the contracted professional support services were received as prescribed in the contract terms and subsequently dissolved the County's IT department in July 2023. Specifically, the County did not conduct effective oversight of its contracted professional support services or establish a process for the County to assess if services received were performed as agreed upon and sufficient to fulfil the County's needs. Further, the vendor did not develop policies and procedures to respond to risks associated with the County's IT systems and data over the areas listed in the condition above.

Criteria

Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives.

Effective internal controls include the following:

- ▶ **Restrict access through logical controls**

Help to ensure systems and data are accessed by users who have a need, systems and data access granted are appropriate, key systems and data access are monitored and reviewed, and physical access to its system infrastructure is protected.

- ▶ **Manage system configurations and changes through well-defined, documented configuration-management process**

Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.

- ▶ **Secure systems and data through IT security internal control policies and procedures**

Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

► **Ensure operations continue through a comprehensive, documented, and tested contingency plan**

Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Further, developing and implementing policies and procedures for managing contracted professional services is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring the County's financial reporting and related compliance objectives are achieved.¹

Recommendations to the County

1. Develop, document, and implement policies and procedures to effectively monitor contracted professional support services received to ensure they adhere to the contract terms and fulfil the County's needs, including ensuring the vendor develops and documents comprehensive IT policies and procedures and a process to ensure the procedures are consistently followed.

Restrict access

To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
3. Remove terminated employees' access to IT systems and data.
4. Review all other account access to ensure it remains appropriate and necessary.
5. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
6. Enhance authentication requirements for IT systems.
7. Review data center physical access periodically to determine appropriateness.

¹ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 6/20/25 from <https://www.gao.gov/assets/670/665712.pdf>

Manage system configurations and changes

To configure IT systems securely and manage system changes, develop, document, and implement processes to:

- 8.** Establish and follow a documented change management process.
- 9.** Review proposed changes for appropriateness, justification, and security impact.
- 10.** Document changes, testing procedures and results, change approvals, and post-change review.
- 11.** Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- 12.** Test changes prior to implementation.
- 13.** Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- 14.** Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Secure systems and data

To secure IT systems and data, develop, document, and implement processes to:

- 15.** Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- 16.** Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
- 17.** Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
- 18.** Develop an information security plan to protect the integrity of the financial reporting systems and data.
- 19.** Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

Ensure operations continue

To ensure operations continue, develop, document, and implement processes to:

- 20.** Update the contingency plan, and ensure it includes all critical elements to restore critical operations, including being prepared to move critical operations to a separate alternative site if necessary.
- 21.** Test the contingency plan.
- 22.** Train staff responsible for implementing the contingency plan.
- 23.** Back up and securely maintain and test backups of systems and data.

This finding is similar to prior-year finding 2024-06 and was initially reported in fiscal year 2023.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County submitted its June 30, 2025, Single Audit Report to the federal audit clearinghouse nearly 6 months later than allowed by federal regulation, creating a risk that federal grantors may deny the County future federal awards

Assistance Listings number(s) and name(s): Not applicable

Questioned costs: Not applicable

Condition

Contrary to federal regulation, the County submitted its June 30, 2025, Single Audit Report to the federal audit clearinghouse on September 24, 2026, which was nearly 6 months later than allowed by federal regulation.

Effect

The County's late Single Audit Report submission may have prevented the federal government and other grantors of federal awards from having timely information to effectively monitor federal programs and impose corrective actions for any findings we report. Further, delayed reporting creates a risk that federal grantors may deny the County future federal awards or subject it to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the compliance requirements over the County's major federal programs.

Cause

The County failed to prepare its June 30, 2025, Annual Financial Report in a timely manner for the reasons we reported in finding 2025-01, which delayed the completion of the Single Audit.

Criteria

Federal regulation requires the County to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end, or by March 31, 2026, for the County's June 30, 2025, Single Audit Report (2 Code of Federal Regulations §200.512).

Recommendation to the County

1. The County should improve its financial reporting process, as noted in finding 2025-01, so that it can submit all future Single Audit Reports on or before the federally required submission deadline, which is no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

This finding is similar to prior-year finding 2024-101 and was initially reported in fiscal year 2021.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County did not ensure 10 payments totaling \$62,400 for the Public Health Emergency Preparedness Program were reviewed and approved by independent appropriate personnel

Assistance Listings number(s) and name(s):

93.069 Public Health Emergency Preparedness

Award number(s) and year(s):

CTR055212 July 1, 2023 through June 30, 2024

CTR055212 July 1, 2024 through June 30, 2025

Federal agency: Department of Health and Human Services

Pass-through grantor: Arizona Department of Health Services

Compliance requirement(s): Allowable costs/cost principles

Questioned costs: \$62,400

Condition

Contrary to federal regulations and the award terms issued by the Arizona Department of Health Services (ADHS), the County did not ensure appropriate personnel reviewed and approved Public Health Emergency Preparedness Program (Program) expenditures, ensure adequate documentation was maintained justifying the expenditures were necessary and reasonable for the Program's purpose, and ensure that the time and effort charged to the Program were for allowable costs. Specifically, the County's contracted health director inappropriately approved all 10 purchase orders we tested totaling \$62,400 that authorized payments for his own contracted professional services. Additionally, the County did not require an independent appropriate review of these contracted services prior to payment. Finally, the County and contracted health director failed to maintain detailed documentation to describe what work the contracted health director performed and why it was necessary and reasonable for the Program's performance. Although, the contracted health director prepared a "consulting log" to document how time was split between miscellaneous Greenlee County administrative duties, epidemiological services provided for Graham County for which the county receives reimbursement, and duties related to the Program's administration, the descriptions were limited to 1 or 2 words and thus did not provide adequate supporting documentation to justify charges to the Program.

Effect

The chief financial officer's decision to allow the contracted health director to approve his own charges for services and not require an independent appropriate review increased the risk that \$62,400 may not have been spent in accordance with the award terms and conditions and

federal regulations. It also increased the risk that those who were intended to benefit from the Program may not receive all the benefits they otherwise would have received. Consequently, the County may be required to return these monies to ADHS.

In addition, because the County lacks adequate, detailed documentation to support the services provided, ADHS may not be able to rely on the information the County reported to effectively monitor the Program's administration, including its compliance with federal requirements, ability to prevent and detect fraud, and evaluate the Program's performance. This may result in additional oversight and monitoring by ADHS and could jeopardize future awards.

Cause

Although the County agreed to ADHS' award terms, they did not have policies and procedures in place to ensure Program requirements were met. The County did not assign responsibility for independently reviewing Program expenditure documentation to ensure it was sufficiently detailed and costs were allowable. The County appointed a Program coordinator but did not assign responsibility for overseeing all aspects as required by the grant agreement, such as reviewing and approving charges for services provided to the County.

Criteria

The County's grant award terms require the County to appoint a Public Health Emergency Preparedness coordinator to be responsible for overseeing all grant-related activities, budgets, and reports.¹ Additionally, per 2 CFR §200.403(g), costs must be adequately documented to be allowable under federal awards. Federal guidelines require establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303). Additionally, federal internal control standards require the consideration of segregation of duties in designing internal control activities so that incompatible duties are segregated.²

Recommendations to the County

1. Discontinue the contracted health director's permission to prepare and approve purchase orders and credit card transaction forms that authorize payments for his own contracted professional services and relevant miscellaneous expenses.
2. Strengthen its procedures to ensure that County personnel perform an independent review and approval of all Program expenditures to prevent potential conflicts and misuse of federal funds.
3. Strengthen internal controls associated with the Program to ensure that all time charged to the Program is supported by sufficiently detailed documentation.

¹ Intergovernmental agreement with Arizona Department of Health Services (Contract No. CTR055212)

² *Standards for Internal Control in the Federal Government*, Principle 10.21, May 2025.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County's initial schedule of expenditures of federal awards (SEFA) was understated by \$206,888, or 18% of total federal award expenditures, increasing the risk of misinforming those who rely on the SEFA

Assistance Listings number(s) and name(s): Not applicable

Questioned costs: Not applicable

Condition

Contrary to federal regulations, the County did not accurately compile its SEFA. As a result, the County's initial SEFA submitted to auditors contained an understatement of \$206,888, or 18% of total federal award expenditures related to the Coronavirus State and Local Fiscal Recovery Funds federal monies passed through to the Greenlee County Superior Court to supplement probation officers' salaries administered by the Greenlee County Probation Department (Department). Specifically, the Department did not provide federal grant information to County administration to facilitate accurate reporting of federal program expenditures in the SEFA. We identified this error and recommended the County correct the understatement so that the County's SEFA would contain accurate information. The County subsequently corrected this error from the original draft.

Effect

The County risks potentially misinforming those who rely on its reported federal award expenditures.

Cause

The Department did not have policies and procedures to ensure its program administrator accurately identified and communicated federal program information to County management. Because the Department administers its own grants, the County and SEFA preparer relied on the accuracy of program information the Department provided and the activity recorded in the general ledger to compile and submit the SEFA for audit.¹ Additionally, County management reported that the Department's program administrator erroneously believed the funding's origin was nonfederal and acknowledged the grant agreement contained unclear information, however the Department did not solicit clarification from the state agency from which the federal funds were passed-through. Consequently, the Department's program administrator did not communicate accurate information to the County when establishing the new funds in the County's general ledger, which is the source for preparing the SEFA.

¹ According to A.R.S. §12-267 and §12-268, the probation department is fiscally responsible for its fund accounts, and the County's Chief Fiscal Officer must disburse monies only at the direction of the presiding judge of the superior court.

Criteria

Federal regulations require the County and the Department, as a subrecipient of federal monies, to maintain effective internal controls so that it can prepare an accurate and complete SEFA that reports all its federal award expenditures (2 CFR §§200.302 and .510[b]).

Further, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations to the Probation Department

Develop written policies and procedures that:

1. Require program administrators to identify and record key information unique to federal awards included within the award documentation such as the assistance listings' title and number, federal award identification number, name of the federal agency or pass-through entity, and year the federal award was issued.
2. Require program administrators to follow up with pass-through grantors when the funding source is not clearly disclosed in the grant agreement.
3. Ensure program administrators communicate accurate and complete federal program information to County management and the SEFA preparer, and within the County's general ledger system.
4. Train program administrators on newly developed policies and procedures for accurately identifying and communicating federal award information.

Recommendations to the County

5. Prepare the SEFA and review it for accuracy and completeness prior to submitting it for an audit.
6. When establishing new funds in the County's general ledger system, seek additional information from Department program administrators to ensure funding sources are clearly identified.
7. After federal reporting errors are detected by County management, evaluate the effectiveness of written policies and procedures, and conduct further training as necessary.

Views of responsible officials

County management concurs with this finding. The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

The County prepared the subsequent pages of this document.

Schedule of expenditures of federal awards and related notes

This schedule includes the County's federal grant activity for the fiscal year and the related notes, which are an integral part of the schedule and describe the significant accounting policies used in preparing the schedule and other disclosures as required by 2 Code of Federal Regulations (CFR) §200.510(b).

The results of our auditing procedures on this schedule are described in the 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 the Uniform Guidance.

County response and corrective action plan

The County response and corrective action plan includes the County's response to each finding identified in our audit, including the County's corrective action plan and anticipated completion date to implement our audit finding recommendations, as required by 2 CFR §200.511(c).

We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

Summary schedule of prior audit findings

The summary schedule of prior audit findings includes the County's status of implementing audit finding recommendations from the prior year's audit in addition to the status of any older audit findings that were not reported as fully corrected in the prior year's summary schedule of prior audit findings as required by 2 CFR §200.511(b).

We performed auditing procedures to follow up on prior audit findings, including assessing the reasonableness of the summary schedule of prior audit findings as required by 2 CFR §200.514(e).

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal agency/ Assistance Listing number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures
Department of Agriculture					
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Schools and Roads Cluster	Arizona Department of Health Services	CTR067927	120,413
10.665	Schools and Roads - Grants to States		Arizona State Treasurer	None	52,495
Total Department of Agriculture					172,908
Department of Justice					
16.738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-25-025	20,808
Total Department of Justice					20,808
Department of Treasury					
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds		Arizona Supreme Court Administrative Office of the Courts	None	216,953
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds				206,888
Total Coronavirus State and Local Fiscal Recovery Funds					423,841
21.032	Local Assistance and Tribal Consistency Fund				29,412
Total Department of Treasury					453,253
The Institute of Museum and Library Services					
45.310	Grants to States		Arizona Secretary of State	2023-0010-30, 2023-0170-02, 2023-0260-09	6,033
Total The Institute of Museum and Library Services					6,033
Election Assistance Commission					
90.404	HAVA Election Security Grants		Arizona Secretary of State	None	104,008
Total Election Assistance Commission					104,008
Department of Health and Human Services					
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		Southeastern Arizona Community Action Program	None	49,278
93.069	Public Health Emergency Preparedness		Arizona Department of Health Services	CTR055212	216,030
93.268	Immunization Cooperative Agreements		Arizona Department of Health Services	CTR060278, CTR060583	120,761
93.268	COVID-19 Immunization Cooperative Agreements		Arizona Department of Health Services	CTR060278	2,464
Total Immunization Cooperative Agreements					123,225
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		Arizona Department of Health Services	CTR055212	4,306
93.658	Foster Care Title IV-E		Arizona Department of Child Safety	DC20-00028	408
93.967	Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health		Arizona Department of Health Services	CTR064796	165,630
93.991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	CTR055257	45,354
93.994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	CTR055257	89,928
Total Department of Health and Human Services					694,159
Total expenditures of federal awards					\$ 1,451,169

Greenlee County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes Greenlee County's federal grant activity for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - Federal Assistance Listings Number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2025 *Federal Assistance Listings*.

NOTE 4 - Indirect Cost Rate

The County did not elect to use the 15 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

DEREK D. RAPIER
County Administrator

BIANCA CASTAÑEDA
Clerk of the Board

PHONE (928) 865-2072
FACSIMILE (928) 865-9332



DAVID GOMEZ
Chairman - District 1

RON CAMPBELL
District 2

WILLIAM WEARNE
District 3

August 27, 2026

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Rene Ontiveros

Rene Ontiveros
Chief Finance Officer

Greenlee County
Corrective action plan
Year ended June 30, 2025

Financial statement findings

2025-01

The County issued its *Annual Financial Report* 5 months late and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County will continue to improve by providing accurate classification in the financial statements and single audit report in a timely matter for submittal by the required deadline.

Anticipated Completion Date: March 31, 2027

2025-02

The County did not perform inventorying procedures for nearly \$4.2 million of capital assets and unused supplies at year-end, and it did not tag or track an additional \$216,484 in capital assets, resulting in a qualified opinion on the financial statements and an increased risk that machinery and equipment and supplies could be stolen, lost, or misused.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County is implementing an updated process to ensure all assets and supplies are accounted for, including procedures to ensure checks and balances are performed, reviewed and recorded to provide the physical and financial status for our machinery and equipment assets and unused supplies by year end.

Anticipated Completion Date: March 31, 2027

2025-03

The County allowed 9 hourly employees to self-approve their time sheets and did not require supervisory review and approval to ensure accuracy, including 5 employees who self-approved \$103,063 in overtime costs, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution.

Contact Name: Rene Ontiveros

Greenlee County
Corrective action plan
Year ended June 30, 2025

Corrective Action Planned: The County will update protocols and procedures to prohibit self-approved time keeping and access to time approvers for all 9 employees listed to prevent this action from being entered into the system. The role/access was approved by elected officials and department heads when initially set up. The understanding was that final approvals are to be reviewed by elected officials and department heads along with review of their budget responsibilities. The County will ensure that the Elected Officials and Managers execute these approvals.

Anticipated Completion Date: January 1, 2026

2025-04

The County paid \$48,505 for merchandise, lodging, training, meals, airfare, and other expenses using credit cards without complying with policies and procedures and did not ensure \$2,064 of these purchases were for authorized County business purposes, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County will ensure that all approvals and pre-approvals for credit card use will be documented and that detailed explanations accompany all credit card transactions to ensure transactions are for public purposes. Additionally, the County will develop policies that distinguish credit card use for transactions that are pursuant to the County's travel policy and those that are not. These additional layers of documentation and policy will address any concern that funds could have been misused.

Anticipated Completion Date: January 8, 2026

2025-05

The County did not obtain annual conflict-of-interest disclosure statements from 38 elected officials and employees, and the contracted health director, increasing the risk that undisclosed substantial interests could affect their official conduct.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County will implement an updated process to ensure the Conflict-of-Interest forms are completed annually.

Anticipated Completion Date: January 8, 2026

Greenlee County
Corrective action plan
Year ended June 30, 2025

2025-06

The County did not follow its purchasing policy and conduct required competitive procurement for over \$575,000 in goods and services, resulting in noncompliance with statutory regulations and an increased risk that procured goods and services are not at the most economical price.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County will ensure all approved purchasing includes all the required documentation/explanations that concur with the County Purchasing Policy.

Anticipated Completion Date: July 1, 2027

2025-07

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County IT office will continue to develop, address, and implement processes, procedures and policies to better manage and document the security of the County's data. The County also understands as it addresses the requirements to improve our IT operations, policies, security, and documentation, that the findings will continue to be noted until all have been addressed or corrected. The County will address auditors' recommendations to meet the requirements of the findings both with the county's services provider and internally.

Anticipated Completion Date: March 31, 2030

2025-08

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.

Contact Name: Rene Ontiveros

Corrective Action Planned: The County IT office will continue to develop, address, implement processes, procedures and policies to manage the control procedures over the IT systems and data for the security of the County's data. The County also understands as we are addressing the requirements to improve our IT operations that the findings will continue to be noted until all have been addressed. The County will be addressing the auditors' recommendations to meet the requirements of the findings.

Anticipated Completion Date: March 31, 2030

Greenlee County
Corrective action plan
Year ended June 30, 2025

Federal award findings and questioned costs

2025-101

The County submitted its June 30, 2025, *Single Audit Report* to the federal audit clearinghouse nearly 5 months later than allowed by federal regulation, creating a risk that federal grantors may deny the County future federal awards.

Assistance Listings numbers and names: Not applicable
Questioned costs: Not applicable

Contact Name: Rene Ontiveros

Corrective Action Planned: The County will continue to improve by providing accurate classification in the financial statements and single audit report in a timely matter for submittal by the required deadline.

Anticipated Completion Date: March 31, 2027

2025-102

The County did not ensure 10 payments totaling \$62,400 for the Public Health Emergency Preparedness Program were reviewed and approved by independent appropriate personnel.

Assistance Listings numbers and names: 93.069 Public Health Emergency Preparedness
Questioned costs: \$62,400

Contact Name: Rene Ontiveros

Corrective Action Planned: The County Administrator/Deputy County Administrator will review and sign the purchase orders created that are made payable to the contracted Health Director for the Public Health Emergency Preparedness Program.

Anticipated Completion Date: July 1, 2026

2025-103

The County's initial schedule of expenditures of federal awards (SEFA) was understated by \$206,888, or 18% of total federal award expenditures, increasing the risk of misinforming those who rely on the SEFA.

Assistance Listings numbers and names: Not applicable
Questioned costs: Not applicable

Contact Name: Rene Ontiveros

Greenlee County recognizes that it has complimentary statutory responsibilities with respect to accurately reporting its SEFA. While the Probation Department is responsible for the funds it receives, including federally sourced funding, and how such funds are expended and accounted for¹, Greenlee County is responsible for establishing and administering the probation services fund within its general ledger system, as well as maintaining separate sub-accounts for the various funding sources within the probation services fund², including federally sourced funding.

To help the Probation Department meet its responsibilities and to facilitate more accurate SEFA reporting, the County will work with probation to implement grant checklist forms to better identify and reconcile what type of funds are being received and how they should be recorded and utilized. The County will further work with the Probation Department to help them understand their obligation to identify funding sources for reporting to both the County and to State Regulators. Additionally, when establishing new funds in the general ledger system, the County will seek additional information and documentation from program administrators to accurately identify funding sources.

Anticipated Completion Date: March 31, 2027

¹ Ariz Const. Art. 6, Sec. 3; Ariz. Revised Statutes §§12-251, 12-252, 12-267, 12-268, 8-203; and Arizona Code of Judicial Administration §§6-101, 6-102, 6-103

² A.R.S. §§12-267 & 12-268

DEREK D. RAPIER
County Administrator

BIANCA CASTAÑEDA
Clerk of the Board

PHONE (928) 865-2072
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August 12, 2026

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Rene Ontiveros
Chief Finance Officer

Status of Financial Statement Findings

Title:	The County issued its Annual Financial Report 8 months late and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information to make decisions receiving the report and increasing the risk that those who rely on the financial statements could be misinformed if corrections are not made to the financial reporting process
Finding No.:	2024-01. This finding initially occurred in fiscal year 2023.
Status:	Partially corrected
County Discussion:	The County will continue to improve by providing accurate classifications in the financial statements and single audit report in a timely manner for submittal by the required deadline.
Anticipated Completion Date:	March 31, 2027
Title:	The County did not perform inventorying and other recordkeeping procedures for nearly \$2.9 million of capital assets and an unknown quantity of unused supplies at year-end, resulting in a qualified opinion on the financial statements and an increased risk that machinery and equipment and supplies could be stolen, lost, or misused
Finding No.:	2024-02. This finding initially occurred in fiscal year 2024.
Status:	Not corrected
County Discussion:	The County is implementing an updated process to ensure all assets and supplies are accounted for, including procedures to ensure checks and balances are performed, reviewed, and recorded to provide the physical and financial status for our machinery and equipment assets and unused supplies by year-end.
Anticipated Completion Date:	March 31, 2027
Title:	The County allowed all 9 hourly employees to self-approve their time sheets and did not require supervisory review and approval to ensure accuracy, including 2 employees who self-approved \$71,737 in overtime costs, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution
Finding No.:	2024-03. This finding initially occurred in fiscal year 2024.
Status:	Not corrected

County Discussion: The County will update protocols and procedures to prohibit self-approved time keeping and access to time approvers for all 9 employees listed to prevent this action from being entered into the system. The role/access was approved by elected officials and department heads when initially set up. The understanding was that final approvals are to be reviewed by elected officials and department heads along with review of their budget responsibilities. The County will ensure that the appropriate elected officials and/or department heads perform these approvals.

Anticipated Completion Date: November 30, 2025

Title: The County paid \$53,704 for meals, lodging, and other expenses using credit cards without complying with policies and procedures and did not ensure \$1,249 of these purchases were for authorized County business purposes, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Finding No.: 2024-04. This finding initially occurred in fiscal year 2020.

Status: Not corrected

County Discussion: The County will ensure that all approvals and pre-approvals for credit card use will be documented and that detailed explanations accompany all credit card transactions to ensure transactions are for public purposes. Additionally, the County will develop policies that distinguish credit card use for transactions that are pursuant to the County's travel policy and those that are not. These additional layers of documentation and policy will address any concern that funds could have been misused.

Anticipated Completion Date: November 30, 2025

Title: The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Finding No.: 2024-05. This finding initially occurred in fiscal year 2023.

Status: Not corrected

County Discussion: The County IT office will continue to develop, address, and implement processes, procedures, and policies to manage the control procedures over the IT systems and data for the security of the County's data. The County also understands as we are addressing the requirements to improve our IT operations that the findings will continue to be noted until all have been established. The County will be addressing the auditors' recommendations to meet the requirements of the findings.

Anticipated Completion Date: March 31, 2027

Title: The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Finding No.: 2024-06. This finding initially occurred in fiscal year 2023.

Status: Not corrected

County Discussion: The County IT office will continue to develop, address, and implement processes, procedures, and policies to manage the control procedures over the IT systems and data for the security of the County's data. The County also understands as we are addressing the requirements to improve our IT operations that the findings will continue to be noted until all have been established. The County will be addressing the auditors' recommendations to meet the requirements of the findings.

**Anticipated
Completion Date:** March 31, 2027

Status of Federal Award Findings and Questioned Costs

**Assistance Listings Number and
Program Name:** Not applicable

Finding No.: 2024-101. This finding initially occurred in fiscal year 2021.

Status: Not corrected

County Discussion: The County will continue to work/develop better plans on getting the financial statements/single audit submitted and reviewed in a timely manner to meet requirements for submittal.

Anticipated Completion

Date: March 31, 2027