



Single Audit Reporting Package for

**Gila County**

June 30, 2013

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Auditor General of the State of Arizona

Board of Supervisors of  
Gila County  
Globe, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gila County (the "County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Gila County's basic financial statements, and have issued our report thereon dated August 5, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-003 and 2013-004 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Gila County's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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.

*Moss Adams LLP*

Scottsdale, Arizona  
August 5, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

The Auditor General of the State of Arizona

Board of Supervisors of  
Gila County  
Globe, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Gila County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended *June 30, 2013*. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, and 2013-008 that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs.. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, business type activities, each major fund, and aggregate remaining fund information of the County as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the County's basic financial statements. We issued our report thereon dated August 5, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of 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 auditing standards generally accepted in the United States of America. 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.

*Moss Adams LLP*

Scottsdale, Arizona  
August 5, 2016

**GILA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Total Expenditures	
<b>U.S. Department of Agriculture</b>				
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS11-004485	\$ 264,366	
Commodity Supplemental Food Program	10.565	ADHS12-010890	2,958	
<i>Passed through the Arizona State Treasurer</i>				
School and Roads - Grants to States	10.665	BLM Forest Fees Taylor Grazing	1,499,026	
<b>Total U.S. Department of Agriculture</b>				<b>1,766,350</b>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through the Arizona Department of Commerce</i>				
Section 8 Housing Choice Vouchers	14.871	Section HUD Deposits	333,820	
Section 8 Housing Choice Vouchers	14.871	AZ045, OMB2577-0226	24,069	
Total Section 8 Housing Choice Vouchers			357,889	
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grants/State's Program	14.228	152-12, 144-11	208,212	
Home Investment Partnerships Program	14.239	HOME 308-11	198,235	
<b>Total U.S. Department of Housing and Urban Development</b>				<b>764,336</b>
<b>U.S. Department of the Interior</b>				
PILT fund 3330.10 Payments in Lieu of Taxes	15.226	PILT	3,197,536	
<b>Total U.S. Department of the Interior</b>				<b>3,197,536</b>
<b>U.S. Department of Justice</b>				
Cops Office of community Oriented Policing Services	16.710	#2006CKWX0431	5,761	
<i>Passed through the Arizona Criminal Justice Commission</i>				
Byrne Drug Prosecution Recover Act	16.738	Unknown	274,193	
Edward Byrne Memorial Formula Grant Program	16.738	DC-13-027	47,068	
Total Edward Byrne Memorial Justice Assistance			321,261	
<b>Total U.S. Department of Justice</b>				<b>327,022</b>
<b>U.S. Department of Labor</b>				
<i>Passed through the Arizona Department of Economic Security</i>				
Workforce Investment Act Cluster:				
WIA Adult Program	17.258	DE111006001, ADES14-055408	827,988	
WIA Youth Activities	17.259	DE111006001, ADES14-055408	555,790	
WIA Dislocated Workers	17.278	DE111006001, ADES14-055408	1,107,763	
Total Workforce Investment Act Cluster			2,491,541	
<b>Total U.S. Department of Labor</b>				<b>2,491,541</b>
<b>U.S. Department of Transportation</b>				
<i>Passed through the Arizona Department of Transportation</i>				
Federal-Aid Highway Program, Federal Lands Highway Program	20.205	IGA/JPA 08-1321	69,054	
<b>Total U.S. Department of Transportation</b>				<b>69,054</b>
<b>U.S. Department of Energy</b>				
<i>Passed through the Arizona Department of Commerce</i>				
Weatherization Assistance for Low Income Persons	81.042	EW-ESA-12-2182-02Y2, LW-ESA-12-2182-02Y2	146,755	
Weatherization Assistance for Low Income Persons-ARRA	81.042	C037-09-02	8,195	
Total Weatherization Assistance for Low Income Persons			154,950	
<b>Total U.S. Department of Energy</b>				<b>154,950</b>
<b>U.S. Department of Education</b>				
<i>Passed through the Arizona Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A040003	30,911	
<i>Passed through the Arizona Supreme Court</i>				
Title I Grants to Local Educational Agencies- Inspiration Academy	84.010	KR12-0087	15,374	
Total Title I Grants to Local Educational Agencies			46,285	
<i>Passed through the Arizona Department of Education</i>				
Improving Teacher Quality State Grants	84.367	S281A03003	618	
<i>Passed through the Arizona Supreme Court</i>				
Improving Teacher Quality State Grants- Inspiration Academy	84.367	KR12-0087	2,226	
Total Improving Teacher Quality State Grants			2,844	
<i>Passed through the Arizona Department of Education</i>				
Rural and Low income schools	84.358	S368B020003	733	
Race to the Top	84.413	B413A1200005	502	
<i>Passed through the Arizona Department of Education</i>				
Special Education - Grants to States	84.027	H027A0090007	12,454	
Special Education - Grants to States	84.027	H027A0050007	8,225	
<i>Passed through the Arizona Supreme Court</i>				
Inspiration Academy - IDEA Basic	84.027	KR12-0087	38,626	
Inspiration Academy - Secure Care	84.027	KR12-0087	8,485	
Total Special Education			67,790	
<i>Passed through the Arizona Department of Education</i>				
Adult Education- State Grant Program	84.002	V002A110003	46,538	
Adult Education	84.002	V002A110003	10,946	
Adult Education - State Grant Program	84.002	V002A110003	14,867	
Total Adult Education State Grants			72,351	
English Language Acquisition Grants	84.365	T365A00003A	32,156	
<b>Total U.S. Department of Education</b>				<b>222,661</b>

**GILA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
DHHS/FDA Health Services special projects	93.unknown	HHSF2232001110173M	3,750
<i>Passed through the Arizona Department of Health Services</i>			
Immunization Grants	93.268	HG854284/ADHS13-041539	139,920
Centers for Disease Control and Prevention -- Investigations and Technical Assistance	93.069	ADHS12-007886	195,919
HIV Prevention Activities -- Health Department Based	93.940	HG852277/ADHS13-031248	3,230
HIV Prevention Activities- Health Department Based-Health Start Program	93.940	ADHS11-007055	18,625
Total HIV Prevention Activities- Health Department Based			21,855
Maternal and Child Health Services Block Grant, Special Needs	93.994	ADHS12-010923, HG854246/ADHS13-034536, HP961245-003	98,188
Affordable Care Act Maternal Infant and Early Childhood home visiting	93.505	ADHS13-028437	83,437
PPHF National Public Health Improvement Initiative	93.507	ADHS12-020644	13,087
Preventive Health and Health Services Block Grant PHHS Block Grants	93.991	ADHS12-020644	6,446
<i>Passed through the Arizona Department of Economic Security</i>			
Temporary Assistance for Needy Families	93.558	DE111073001	152,657
Child Support Enforcement	93.563	DE111165001	1,019,834
Low-Income Home Energy Assistance	93.568	DE111073001	257,887
Community Services Block Grant	93.569	DE111073001	156,000
<b>Total U.S. Department of Health and Human Services</b>			<b>2,148,980</b>
<b>U.S. Department of Homeland Security:</b>			
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Preparedness Technical Assistance Program	97.067	11-AZDOHS-CCP-888300-01, 11-AZDOHS-HSGP-888303-01	50,000
<i>Passed through the Arizona Department of Emergency Services and Military Affairs</i>			
Emergency Management Performance Grant	97.042	EMW-2001-EP-APP-00006	116,289
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	ADEM/FEMA1888DR-AZ-007-99007-00	117,945
<b>Total U.S. Department of Homeland Security</b>			<b>284,234</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 11,426,664</b>

**GILA COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2013**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Gila County under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Gila County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Gila County.

**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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

From the federal expenditures presented in the Schedule, the County awarded the following to subrecipients for major programs:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount</b>
School and Roads-Grants to States	10.665	\$1,397,830
Workforce Investment Act Cluster	17.258, 17.259, 17.278	\$1,184,766

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  Yes  No

**Identification of Major Federal Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued</i>
93.563	Child Support Enforcement	Unmodified
10.665	Schools and Roads Grants to States	Unmodified
17.258, 17.259, 17.278	Workforce Investment Cluster	Unmodified
14.871	Section 8 Housing Choice Vouchers	Unmodified
15.226	Payment in Lieu of Taxes	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 342,800

Auditee qualified as low-risk auditee?  Yes  No

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**Section II – Financial Statement Findings**

**FINDING 2013-001 – Financial Close and Reporting – Material Weakness**

**Criteria:** The County is responsible for maintaining effective internal controls over their accounting records and financial statement disclosures. Accounting records should include a complete, balanced general ledger that records all transactions, supported by appropriate subsidiary records, to permit the preparation of accurate financial statements on a timely basis. Procedures should be in place to ensure that the statement of net position accounts are independently reviewed and reconciled to subsidiary records at least monthly.

**Condition:** General ledger balances and subsidiary ledgers were not balanced to the control ledgers periodically. Additionally, the County's internal controls were not in place or were not followed to ensure the proper presentation of the financial statements in accordance with generally accepted accounting principles.

**Context:** The following represent deficiencies identified during the course of the audit process:

- There is not an effective process in place to ensure all funds and accounts of the County maintained outside the centralized accounting system are reported in the financial statements.
- \$6,280,837 of audit adjustments were made to the cash, receivable, payable, long-term debt and equity balances.
- The County performs physical inventory observations every two years, however, the County does not retain documentation for this inventory count and does not include it in the formal policies and procedures for capital assets.

**Effect:** Without appropriate policies and procedures and regular reconciliation of subsidiary accounts, there is the risk that the financial statements may be materially misstated and that errors could go undetected.

**Cause:** The County's central accounting system has not been maintained to allow accurate and efficient general ledger account reconciliations. Consequently, the accounting department does not perform routine monthly accounting functions to ensure all significant accounts are reconciled.

An ineffective financial close process and inability to reconcile key general ledger accounts makes it much more difficult for the County to prevent and detect potential fraudulent or improper activity, thus greatly increasing the County's risk of material misstatements in the financial statements.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**Recommendation:** The accounting department should ensure that annual and/or monthly accounting reconciliations are performed to produce accurate financial statements. The accounting system should be examined and improvements made to ensure that an accurate trial balance is in place at all times, and subsidiary accounts are maintained and reconciled.

**Management response:** The County concurs with this recommendation and will review monthly closing processes along with internal controls. In addition, the County will review its capital asset procedures as well as develop internal controls as appropriate and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**FINDING 2013-003 Internal Controls over Schedule of Expenditures of Federal Awards, Significant Deficiency in Internal Controls over Financial Reporting**

The County has not established adequate internal controls to ensure grant expenditures, pass through numbers, and subrecipient balances are properly reported on the schedule of expenditures of federal awards. Multiple versions of the schedule of expenditures of federal awards were provided by the County after significant adjustments, including unidentified grant awards, were made by management to properly state the schedule of expenditures of federal awards. See the detailed reporting of Finding 2013-003 in Section III of the Schedule of Findings and Questioned Costs.

**FINDING 2013-004 - Account Reconciliations Significant Deficiency in Internal Control over Financial Reporting**

The County's general ledger system does not properly track the funding sources of federal expenditures and the receipt of federal funds was not properly recorded in the general ledger. The County experienced untimely posting of cash receipts in the general ledger system and inconsistencies in applying a unique accounting code by CFDA number. Grant reimbursements were not reconciled to the expenditures, and as a result, the County's accounting records were not maintained in sufficient detail to properly report expenditures by CFDA number on the schedule of expenditures of federal awards. See the detailed reporting of Finding 2013-004 in Section III of the Schedule of Findings and Questioned Costs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2013-002 – Single Audit Act Reports, Significant Deficiency in Internal Controls over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
All Federal Awards	All Federal Awards	All Federal Awards	2012 2013	None

**Criteria:** OMB requirements state that counties which receive and spend federal grants in excess of \$500,000 are required to submit the audit report and Data Collection Form to the Federal Audit Clearinghouse for the year ended June 30 on or before the following March 31.

**Condition:** The County submitted the June 30, 2012 Data Collection Form late and has not yet submitted its June 30, 2013 data collection form to the Federal Audit Clearinghouse required by the Office of Management and Budget (OMB) on the March 31, 2014 deadline.

**Effect:** As a result, the County is not in compliance with OMB requirement.

**Cause:** The County was unable to submit both the June 30, 2012, and June 30, 2013 audits and the Data Collection Forms to the Federal Audit Clearinghouse report on a timely basis.

**Recommendation:** The County must ensure that all future audit reports are filed in a timely manner. The County should properly reconcile its records in a timely manner to allow sufficient time to complete the audit.

**Management response:** The County concurs with this recommendation and has reconciled its cash through October 2015. The County will develop internal procedures that provide for a sufficient amount of time to comply with year-end closeout of the County financial statements and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-003 - Internal Controls over Schedule of Expenditures of Federal Awards, Significant Deficiency in Internal Controls over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
All Federal Awards	All Federal Awards	All Federal Awards	2012 2013	None

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

**Condition:** The County does not have adequate controls over the preparation of the schedule of expenditures of federal awards.

**Effect:** Multiple versions of the schedule of expenditures of federal awards were provided by the County after significant adjustments were made by management to properly state the schedule of expenditures of federal awards.

**Cause:** The County has not established controls to ensure grant expenditures, pass through numbers and subrecipient balances are properly reported on the schedule of expenditures of federal awards.

**Recommendation:** We recommend the County review grant reporting procedures to ensure that the grant activity is properly reported on the schedule of expenditures of federal awards. Grant expenditures should be reconciled to the general ledger to ensure the schedule is complete.

**Management response:** The County concurs with this recommendation and will review procedures and develop internal controls as appropriate. The County has implemented an automated grants management system to better track the grants fiscal activities, CFDA numbers and pass-through amounts. The County will strive to provide a more timely reconciliation of grant expenditures to the general ledger and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-004 - Account Reconciliations, Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
All Federal Awards	All Federal Awards	All Federal Awards	2012 2013	None

**Criteria:** Grant reimbursements were not reconciled to the expenditures.

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

**Effect:** The County’s general ledger system would not properly track the funding sources of federal expenditures if the receipt of federal funds is not properly recorded in the general ledger.

**Cause:** Untimely posting of cash receipts in the general ledger system and inconsistencies in applying a unique accounting code by CFDA number.

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

**Management response:** The County concurs with this recommendation and will review procedures and develop internal controls and policies as appropriate and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-005 – Commingled Funds, Significant Deficiency in Internal Controls over Compliance (Reporting)**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
93.563	Child Support Enforcement	G1104AZ4004	Oct 1, 2010-Sept 30, 2015	None

**Criteria:** The Code of Federal Regulations 45 CFR Section 92.20 requires grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities. The Child Support Department should base their monthly reports on the general ledger information.

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

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

**Cause:** Inadequate account code structure.

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

**Management response:** The County concurs with this recommendation and will work with the Clerk of the Court to separate the Family Law Commissioner program from the general fund and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-006 – Allowable Costs/Cost Principles Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
93.563	Child Support Enforcement	G1104AZ4004	Oct 1, 2010-Sept 30, 2015	Unknown

**Criteria:** The County is required by 2 CFR §225, Appendix B(G)(3) to have employees who worked on one federal grant to provide periodic certifications or monthly personnel activity reports for time spent on the federal program. Audit procedures did not identify employees improperly paid from federal funds.

**Condition:** According to 2 CFR §225, Appendix B(G)(3), an employee paid from a single federal program must submit a semi-annual certification that indicates the employee worked solely for that federal program.

**Context:** For one of 29 employees tested, we noted that there were no periodic certifications signed by the employees stating that all their time was charged to one grant during the year.

**Effect:** The County did not comply with 2 CFR §225, Appendix B(G)(3), for the operation of its federally funded programs.

**Cause:** The County did not require employees to sign periodic certifications stating they worked solely on one federal award.

**Recommendation:** Employees paid solely from one federal fund should complete semi-annual certifications of duties performed.

**Management response:** While the finding identifies one record of the 29 sampled in noncompliance, the County concurs with this recommendation and will work with the Child Support staff to implement internal controls to be in compliance and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-007 - Cash Management Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
10.665	Schools and Roads	NA	October 1, 2011- September 30, 2012	Unknown

**Criteria:** In accordance with 34 CFR 80.21, Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

**Condition:** The County did not distribute the funds to the schools within a reasonable period of time after the money was received by the State Treasury.

**Context:** For one out of the one state payments tested, the County did not distribute the funds to the schools within three days after the money was received by the State Treasury.

**Effect:** The school districts did not receive the state payment until later.

**Cause:** The board of directors met after the funds were received to determine the allocation of the distribution of funds to the school districts. Therefore, the funds were not released for a number of months.

**Recommendation:** Distribute the funds to the schools within 3 days after the money was received by the State Treasury and have the board of directors meet earlier to determine the allocation of the distribution of funds.

**Management response:** The County concurs with this recommendation and will review the internal controls as appropriate and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

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**FINDING 2013-008 – Special Tests and Provisions Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
14.871	Section 8 Housing Choice Vouchers	NA	July 1, 2012 – June 30, 2013	Unknown

**Criteria:** In accordance with 24 CFR 982.156(c), the Public Housing Agency (“PHA”) must enter into an agreement with the depository in the form required by the Department of Housing and Urban Development (“HUD”). HUD requires depository agreements to include various requirements, such as: a) the deposits should be insured or collateralized, b) All monies should be in an interest-bearing account, c) HUD must be able to provide written notice to discontinue withdrawals, and d) the rights and duties of the agreement shall not be transferred without written approval of the PHA and HUD.

**Condition:** The County did not enter into an agreement with the depository in the form required by HUD.

**Effect:** The County’s depository agreement related to Section 8 Housing Choice Vouchers funds are not in compliance with HUD requirements.

**Cause:** The County was unaware of the requirements to enter into depository agreements or ensure that the financial institution accounts were in compliance with HUD requirements.

**Recommendation:** We recommend that the County identify all required special tests and provisions and enter into the required depository agreements, as required by HUD.

**Management response:** The County concurs with this recommendation and will work with the department to ensure compliance as appropriate and Don McDaniel, County Manager will be responsible for ensuring that this occurs.

**GILA COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2013**

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**CFDA NO. All Federal Awards**  
**Prior Reference Number: 2012-14**

**Condition:** The County did not meet *OMB Circular A-133* reporting filing requirements.

**Status:** Not corrected

**Corrective Action Plan: See 2013-002**

**CFDA NO. All Federal Awards**  
**Prior Reference Number: 2012-15**

**Condition:** The County did not have adequate controls over the preparation of the schedule of expenditures of federal awards

**Status:** Not corrected

**Corrective Action Plan: See 2013-003**

**CFDA NO. 10.665**  
**Prior Reference Number: 2012-16**

**Condition:** The grant expenditures recorded in the Public Works Fund were not tracked in order to ensure that the grant related expenditures met all requirements noted within the compliance supplement.

**Status:** Fully Corrected

**CFDA NO. 16.738, 16.804**  
**Prior Reference Number: 2012-17**

**Condition:** Federal financial and performance reports were not submitted timely and were not reviewed by supervisory personnel prior to submission.

**Status:** Fully Corrected

**GILA COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2013**

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**CFDA NO. 16.738, 16.804, 81.042**  
**Prior Reference Number: 2012-18**

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

**Status:** Fully Corrected

**CFDA No. 17.258, 17.259 & 17.278**  
**Prior Reference Number: 2012-19, 2011-19, 2010-21**

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

**Status:** Not Corrected, modified and included as finding 2013-003 and 2013-004

**Corrective Action Plan: See 2013-003**

**CFDA No. 93.563**  
**Prior Reference Number: 2012-20, 2011-21, 2010-24, 2009-16, 08-19, 07-21, 06-20, 05-21, 04-21, 03-101**

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

**Status:** Not Corrected, repeated as finding 2013-005

**Corrective Action Plan: See 2013-005**