

Greenlee County, Arizona
Single Audit Reporting Package

Year ended June 30, 2018

Greenlee County, Arizona
Single Audit Reporting Package
Year ended June 30, 2018

Table of Contents

	<u>Page</u>
Auditors Section	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Schedule of Findings and Questioned Costs:	
Summary of Audit Results	6
Financial Statement Findings	7
Federal Award Findings	7
County Section	
Schedule of Expenditures of Federal Awards	8-9
Notes to Schedule of Expenditures of Federal Awards	10
County Response	
Corrective Action Plan	11
Summary Schedule of Prior Audit Findings	12

Report Issued Separately

Annual Financial Report

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

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Greenlee County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards 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, each major fund, and the aggregate remaining fund information of Greenlee County, Arizona (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, as described as item 2018-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the County's management in a separate letter dated March 28, 2019.

Greenlee County's Response to Finding

Greenlee County's response to the finding identified in our audit is presented in the schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the 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 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.

Walker & Armstrong, LLP

Phoenix, Arizona
March 28, 2019

**Independent Auditor’s Report 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 the Uniform Guidance**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Greenlee County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Greenlee County’s (the “County”) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB 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, 2018. The County’s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 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). Those standards and the Uniform Guidance 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, 2018.

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 28, 2019, that 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 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.

Walsh & Armstrong, LLP

Phoenix, Arizona
March 28, 2019

**Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

Summary of Audit Results

Financial Statements

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

Unmodified	
Yes	No
	X
X	
	X

Internal control over financial reporting:

Material weaknesses identified

Significant deficiencies identified

Noncompliance material to the financial statements noted?

Federal Awards

Internal control over major programs:

Material weaknesses identified

Significant deficiencies identified

Type of auditor's report issued on compliance for major programs:

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

	X
None reported	
	Unmodified
	X

Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
----------	------------------------------------

	<i>Forest Service Schools and Roads Cluster:</i>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish between Type A and B programs:

Auditee qualified as a low risk auditee?

	\$ 750,000
	X

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?

X	
---	--

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings:

Finding 2018-001 – Separation of Duties for Accounts Payable and Access to Software

Criteria – Adequate internal controls requires organizations to segregate the duties between the initiation of transactions, recording transactions and maintaining custody of assets.

Condition and Context – The finance director has administrative rights for the accounting software. Also, the accounts payable clerks have access in the accounting software to process requisitions, purchase orders and payment vouchers and, print checks in addition to also having access to blank check stock. Further, the accounts payable clerks upload information into the payroll system. Administrative access rights should be limited to personnel that do not also have access to the accounting records. Personnel that have access to the accounting software for the processing of accounts payable and vendor payments should not have unsupervised access to blank check stock or responsibility for the processing of requisitions, purchase orders and payment vouchers.

Effect – The effect of a lack of segregation of duties is a heightened risk of errors and fraud.

Cause – The cause are processes that do not sufficiently address the risk of insufficient segregation of duties.

Recommendation – We recommend assigning software administrative rights to an employee that does not have the ability to posts transactions to the accounting system. The responsibility for processing requisitions, purchase orders and payment vouchers should be separated from the task of posting accountings payable transactions or processing vendor payments. Access to blank check stock should be limited to personnel that do not process vendor payments. Payroll system responsibilities should be limited to payroll personnel tasked with that function.

C. Federal Award Findings: None

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipient
<u>U.S. Department of Agriculture</u>				
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADGS14-053064	\$ 156,652	\$ -
<i>Passed through the Arizona State Treasurer</i>				
Schools and Roads - Grants to States	10.665	None	<u>728,924</u>	<u>428,924</u>
Total U.S. Department of Agriculture			<u>885,576</u>	<u>428,924</u>
<u>U.S. Department of Justice</u>				
<i>Passed through the Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CE-17-006; CE-18-025	<u>46,212</u>	<u>-</u>
Total U.S. Department of Justice			<u>46,212</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106	N/A	11,587	-
Highway Safety Cluster				
<i>Passed through Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2017-PT-026; 2018- PTS-029	<u>24,312</u>	<u>-</u>
Total U.S. Department of Transportation			<u>35,899</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Arizona Department of Health Service</i>				
Public Health Emergency Preparedness	93.069	ADGS17-133192	176,076	-
PPHF Capacity Building Assistance to Strengthen Public Health	93.539	ADHS13-041541; ADJS18-77681	51,350	-
<i>Passed through the Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	DE12-100077	10,031	-
<i>Passed through the Arizona Department of Health Service</i>				
HIV Care Formula Grants	93.917	ADHS13-040479	<u>44,018</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>281,475</u>	<u>-</u>

The accompanying notes are an integral
part of this schedule.

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2018

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipient
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMF-2016-EP-00009	\$ 102,007	\$ -
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	17-AZDOHS-OPSG- 170416	31,824	-
Total U.S. Department of Homeland Security			<u>133,831</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 1,382,993</u>	<u>\$ 428,924</u>

The accompanying notes are an integral
part of this schedule.

Greenlee County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Greenlee County, Arizona for the year ended June 30, 2018. The information on 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* (Uniform Guidance).

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 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

Note 4 - Indirect Cost Rate

The County did not use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

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

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

FACSIMILE (928) 865-9332



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

DAVID GOMEZ
District 1

RON CAMPBELL
District 2

RICHARD LUNT
District 3

Corrective Action Plan

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* (Uniform Guidance). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

Financial Statement Finding:

Finding 2018-001 – Separation of Duties for Accounts Payable and Access to Software

Condition and Context – The finance director has administrative rights for the accounting software. Also, the accounts payable clerks have access in the accounting software to process requisitions, purchase orders and payment vouchers and, print checks in addition to also having access to blank check stock. Further, the accounts payable clerks upload information into the payroll system. Administrative access rights should be limited to personnel that do not also have access to the accounting records. Personnel that have access to the accounting software for the processing of accounts payable and vendor payments should not have unsupervised access to blank check stock or responsibility for the processing of requisitions, purchase orders and payment vouchers.

Recommendation – The auditors recommended assigning software administrative rights to an employee that does not have the ability to posts transactions to the accounting system. The responsibility for processing requisitions, purchase orders and payment vouchers should be separated from the task of posting accountings payable transactions or processing vendor payments. Access to blank check stock should be limited to personnel that do not process vendor payments. Payroll system responsibilities should be limited to payroll personnel tasked with that function.

Contact Name: Rene Ontiveros, Chief Finance Officer

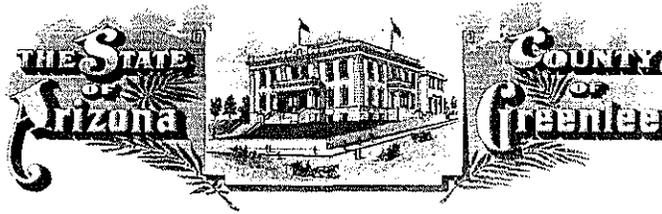
Corrective Action Planned: Separation of duties in small entities is extremely challenging and we recognize how important it is to find solutions. Greenlee County is currently reviewing all job functions of our employees and will make necessary changes to those job functions in order to correct the finding.

Anticipated Completion Date: June 30, 2019

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

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

FACSIMILE (928) 865-9332



DAVID GOMEZ
District 1

RON CAMPBELL
District 2

RICHARD LUNT
District 3

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

Summary Schedule of Prior Year Findings

We have prepared the accompanying summary schedule of prior year findings 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* (Uniform Guidance). The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

Federal Award Findings:

2017-101 Single Audit Reporting Package Not Filed Timely

CFDA Numbers: 15.226; 93.069

Program Title: Payments in Lieu of Taxes;
Public Health Emergency Preparedness Program

Condition: The County's single audit reporting package for the fiscal year ended June 30, 2017 was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end.

Recommendations: Although the County's accounting records were in excellent order, the auditors recommended that the County begin the year-end closing process sooner to allow for more time to resolve unexpected technical and reporting issues.

Status: Greenlee County began the year end closing process earlier than in previous years. As a small entity, we attempt to meet all deadlines. Recognizing our limitations, we have engaged outside professional assistance to help us accomplish our responsibilities.