

Greenlee County, Arizona

Single Audit Reporting Package

Year Ended June 30, 2008

Greenlee County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2008

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County, Arizona as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 4, 2011. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 45 and 50. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items **08-01** through **08-07** and **08-09** through **08-10** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item **08-08**.

Greenlee County, Arizona's responses to the findings identified in our audit are presented on pages 21 through 23. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Mull, Allen & Co PC

March 4, 2011

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

Compliance

We have audited the compliance of Greenlee County, Arizona with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Greenlee County, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item **08-11**.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items **08-12** through **08-15** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated March 4, 2011. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 45 and 50. Our audit was performed for the purpose of forming 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenlee County, Arizona's responses to the findings identified in our audit are presented on pages 24 through 25. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Melch, All & Co PC

March 4, 2011

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Cooperative Forestry Assistance	10.664		\$ 40,000
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361081	54,203
Passed through the Arizona State Treasurer			
Schools and Roads Cluster:			
Schools and Roads – Grants to States	10.665	None	660,566
Total U.S. Department of Agriculture			<u>754,769</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		381,304
Total U.S. Department of the Interior			<u>381,304</u>
U.S. Department of Justice			
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	AC-08-040	37,000
Total U.S. Department of Justice			<u>37,000</u>
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	E5706006	25,911
WIA Youth Activities	17.259	E5706006	46,991
WIA Dislocated Workers	17.260	E5706006	1,695
Total Workforce Investment Act Cluster			<u>74,597</u>
Incentive Grants – WIA Section 503	17.267	DE070297001	420
Total U.S. Department of Labor			<u>75,017</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106		19,074
Total U.S. Department of Transportation			<u>19,074</u>

See accompanying notes to schedule.

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Elections Assistance Commission			
Passed through the Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	\$ 34,951
Total U.S. Elections Assistance Commission			<u>34,951</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	HG352211	43,305
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	HG754197	251,748
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG3161203	29,933
HIV Prevention Activities – Health Department Based	93.940	HG352241	3,767
Maternal and Child Health Services Block Grant to the States	93.994	HG854249	19,970
Passed through the Arizona Secretary of State			
Voting Access for Individuals with Disabilities – Grants to States	93.617	None	11,491
Passed through the Community Foundation for Southern Arizona			
HIV Care Formula Grants	93.917	HR754080	14,181
Total U.S. Department of Health and Human Services			<u>374,395</u>
U.S. Department of Homeland Security			
Passed through the Arizona Department of Emergency and Military Affairs			
Disaster Grant – Public Assistance (Presidentially Declared Disasters)	97.036	1586-DR-AZ-11-99011	7,285
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	025200	2,217
Passed through the Arizona Department of Homeland Security			
Homeland Security Cluster:			
Homeland Security Grant Program	97.067	222303-02	6,695
Homeland Security Grant Program	97.067	2005 PCA 14507	128,073
Homeland Security Grant Program	97.067	2006-GE-T6-0007	48,860
Homeland Security Grant Program	97.067	2007-GE-T7-0006	35,958
Total Homeland Security Cluster			<u>219,586</u>
Total U.S. Department of Homeland Security			<u>229,088</u>
Total Expenditures of Federal Awards			<u>\$ 1,905,598</u>

See accompanying notes to schedule.

Greenlee County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenlee County, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance*.

Greenlee County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Summary of Auditor's Results

Financial Statements

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

Federal Awards

Material weaknesses identified in internal control over major programs?	<u> </u>	<u> X </u>
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	<u> </u>

Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	<u> </u>

Identification of major programs:

- Schools and Roads Cluster:**
- 10.665 Schools and Roads – Grants to States
- 15.226 Payments in Lieu of Taxes

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

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> X </u>	<u> </u>
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Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Financial Statement Findings

Item: 08-01 (Repeat Finding)

Subject: Segregation of Duties

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

Condition: The following segregation of duties deficiencies were noted:

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

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

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

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

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

Item: 08-02 (Repeat Finding)

Subject: Public Fiduciary

Criteria:

1. Fiduciary shall perform all duties and discharge all obligations according to Arizona law and the administrative rules, court orders, administrative orders, ACJA 7-201 & 7-202.
2. Fiduciary must not commingle any property or assets of the protected person's estate with the assets of other clients or fiduciary.
3. Required court filing should be filed in a timely manner.
4. By Arizona statute a fiduciary must keep suitable records of their administration and exhibit them upon request.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

5. Required court documents must be complete, accurate, and understandable.
6. The fiduciary shall avoid self-dealing or the appearance of conflict of interest. (Self-dealing or a conflict of interest arises when the fiduciary has some personal or agency interest other individuals may perceive as self-serving or adverse to the position or best interest of the ward.)
7. The fiduciary must exercise extreme care and diligence when making medical and financial decisions on behalf of a ward or protected person.
8. The handling and recording of any one transaction from beginning to end by any one individual should be prohibited.
9. Protected persons' assets should be safeguarded against loss, theft, and/or damage.
10. A formal written Public Fiduciary Policies and Procedures manual should be developed and implemented.

Condition:

1. Breach of fiduciary duties: improper allocation and accounting of client benefits and improper deposits and transfers of the funds in the general fiduciary account.
2. Commingling: Funds were transferred to "general" fiduciary account and held with other funds.
3. Court filings: No inventory was filed and accountings were not filed for all protected persons.
4. Documentation: Documentation does not exist to determine if taxes needed to be filed or not, no invoices were retained to document payments made, no interest was posted on annual accountings, several checks have been made out for cash, documentation does not exist to support bank transfers, documentation does not exist to support additional requests for personal money, documentation does not exist to support incoming funds, check registers do not exist for all accounts.
5. Accuracy: the beginning balance of accountings do not agree with the ending balance of the prior accounting, dates of accounting do not accurately reflect dates of appointment, payee mentioned on accounting was not the accurate payee, payee name and date vary between bank statement and accounting.
6. Conflict of interest: Ward was placed in property and rent was being paid to the boyfriend of fiduciary.
7. Diligence: bank accounts are not titled in the name of the conservatee and conservatorship.
8. One employee was responsible for all public fiduciary responsibilities with no oversight.
9. Endorsed checks are stored in an unsecured location for several days.
10. Greenlee County, Arizona does not have a Public Fiduciary Policies and Procedures manual.

Cause: Policies and procedures have not been developed and implemented which segregate the authorization of transactions, recordkeeping, and custody of assets. Policies and procedures have also not been documented in a formal written policies and procedures manual, and controls have not been developed and implemented to ensure proper action and oversight.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Effect: The lack of segregation of incompatible duties in combination with improper procedures increases the possibility that errors and unacceptable activities would not be detected by employees during their normal course of responsibilities.

Recommendation: Policies and procedures should be developed and implemented which remove the handling and recording of any one transaction, from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, either accidental or deliberate. Additionally, a Public Fiduciary Policies and Procedures Manual should be developed and implemented (condition #10) and the following controls are recommended:

- a. Using "received with date" and "paid with check number and date" stamps for billing invoices (condition #4)
- b. Using the Greenlee County, Arizona templates for accountings and inventories (condition #3-#4)
- c. Using an "incoming funds log" including the date check was received, name on client's account, payer, and amount of check (condition #4)
- d. Using an estimated spending plan for each client which includes their income, expenses, and allowed personal money (condition #4)
- e. Using a request form to document additional requests for money including evaluation procedures, reason issued or denied, and date issued or denied (condition #4)
- f. Using a recurring expense schedule listing the client's name, recurring balance due, date due, current balance, check number and amount, payee, description of expense, and client balance after payment (condition #4)
- g. Using a bank reconciliation template, signed and dated when complete (condition #4)
- h. Using a filing system to ensure all documentation for all clients is retained in a secure location (condition #4)
- i. Requesting the county board of supervisors' review and oversight of daily functions, monthly bank activity, and required court filings (conditions #1-#3, #5, #6, #7, #8)
- j. Storing endorsed checks to be deposited in a secured location until taken to the bank (condition #9).
- k. To avoid the situation of commingling of funds separate bank accounts should be established for each protected person (condition #2).

Item: 08-03 (Repeat Finding)

Subject: Journal Entries

Criteria: "The journal entry form should contain explanations, attachments, or references to documentary evidence supporting the transaction, and the signature or initials of the preparer and a county official authorized to approve the journal entry." (Uniform Accounting Manual for Arizona Counties. VI-B-2).

Condition: Signature or initials of the county official authorized to approve the journal entries is not documented.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Cause: The County has not included this procedure as part of their processing of journal entries.

Effect: The lack of documentation regarding the authorization of journal entries increases the likelihood that improper and unauthorized journal entries will be posted to the general ledger.

Recommendation: The County should develop procedures concerning the authorization of journal entries consistent with the Uniform Accounting Manual for Arizona Counties (VI-B-2).

Item: 08-04 (Repeat Finding)

Subject: Cash in Bank (Departmental Accounts)

Criteria: "Counties should receive monthly bank statements that summarize the monthly activity and report the ending cash for each account" (Uniform Accounting Manual for Arizona Counties, VI-C-13).

Condition: Six departmental bank accounts are not recorded in the general ledger.

Cause: Departmental bank accounts (those separate from the County Treasurer) are not recorded on the general ledger as to policy. These departmental bank accounts are utilized mainly for the collection of fees and fines, etc... These fees and fines are recorded in the County's general ledger after deposits are made with the County Treasurer.

Effect: The departmental bank accounts and the corresponding activity are not accurately recorded in the County's general ledger.

Recommendation: The County should develop procedures concerning the reporting of all ending cash and the corresponding activity consistent with the Uniform Accounting Manual for Arizona Counties (VI-C-13).

Item: 08-05 (Repeat Finding)

Subject: Cash in Bank (Departmental Accounts)

Criteria: "The county should retain source documents to support all amounts recorded in the accounting records and to comply with the *Records Retention and Disposition for Arizona Counties* and general records retention schedules applicable for counties" (Uniform Accounting Manual for Arizona Counties, VI-B-2).

Condition: The County did not retain check registers for six departmental bank accounts. Thus, the auditor was unable to agree amounts presented on the bank reconciliations to the check registers.

Cause: The County has not implemented a policy requiring that all departments submit check registers with the applicable bank reconciliations to the finance department for review.

Effect: The lack of basic accounting records, such as check registers, hampers the ability of the County's accounting information system to record, process, summarize and report transactions.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Recommendation: Policies and procedures should be developed requiring all departments to submit check registers with the applicable bank reconciliations to the finance department for review on a monthly basis.

Item: 08-06 (Repeat Finding)

Subject: Revenue and Expense Cut-off Procedures

Criteria: "During the 60-day encumbrance period following June 30, the county should maintain separate accounting records of each fund for prior and current fiscal years. Revenues and expenditures (expenses) of the prior fiscal year should be recorded in the records of the prior fiscal year, and revenues and expenditures (expenses) of the current fiscal year should be recorded in records created for the new fiscal year." (Uniform Accounting Manual for Arizona Counties (UAMAC) VI-B-5.)

Condition: The County did not record revenues and expenses from the prior fiscal year in the prior fiscal year's records.

Cause: The County has not developed procedures to ensure that revenues and expenses are being recorded correctly in the County's general ledger as to fiscal year.

Effect: Revenues and expenses could be incorrectly recorded in the County's general ledger as to the correct fiscal year.

Recommendation: The County should develop procedures concerning the proper recording of revenues and expenses as to the correct fiscal year consistent with the Uniform Accounting Manual for Arizona Counties (VI-B-5).

Item: 08-07 (Repeat Finding)

Subject: Reconciliation to the County Treasurer

Criteria: "The County's records of each fund's cash balances should be reconciled to the county treasurer's records promptly upon receipt of the treasurer's report." (Uniform Accounting Manual for Arizona Counties (UAMAC) VI-B-4.)

Condition: The County did not reconcile its records of each fund's cash balance to the treasurer's report on a monthly basis.

Cause: The County has not developed procedures to ensure that the reconciliation of each fund's cash balance to the treasurer's report is performed monthly.

Effect: The likelihood of errors and irregularities increases significantly when the reconciliation of each fund's cash balance to the treasurer's report is not completed on a timely basis.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Recommendation: The County should develop procedures concerning the reconciliation of each fund's cash balances to the treasurer's records consistent with the Uniform Accounting Manual for Arizona Counties (VI-B-4).

Item: 08-08 (Repeat Finding)

Subject: Transfers

Criteria: Arizona Revised Statute §42-17106.B.4 requires that transfers of monies between budget items must be approved by a majority of the Board of Supervisors at a public meeting.

Condition: The County made numerous transfers for which the Board of Supervisors' approval was not documented in the transcribed minutes of the Board's meetings. The most significant was a \$300,000 transfer from the General fund to the various funds.

Cause: The County does not have policies and procedures in place to ensure that the County is in statutory compliance.

Effect: The County is not in compliance with Arizona Revised Statute §42-17106.B.4.

Recommendation: The County should establish policies and procedures that require a review of Arizona Revised Statutes prior to making significant changes to the County's approved budget.

Item: 08-09

Subject: Travel Claims (Independent Authorization)

Criteria: A department supervisor or other designated individual should review the claim for mathematical accuracy, review expenditures for propriety, sign and date the travel claim to document approval, and submit it to the finance department. (Uniform Accounting Manual for Arizona Counties (UAMAC) VI-H-3.)

Condition: Department heads have the authority to approve payments to themselves for travel-related expenditures.

Cause: There is no independent review or authorization of payments made to department heads for travel-related expenditures.

Effect: Increased risk of unauthorized and/or fraudulent payments to employees including payments to one employee for questionable hotel receipts equating to \$30,000 over the course of four years.

Recommendation: All travel advance requests should be reviewed and signed by someone other than the payee.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Item: 08-10

Subject: Credit Card – Supporting Documentation

Criteria: Employees using credit cards should submit all receipts to the county as soon as possible (Uniform Accounting Manual for Arizona Counties (UAMAC) VI-F-11).

Condition: Supporting documentation (receipts) for \$13,911 out of \$26,420 in selected credit card transactions could not be located by the accounting department.

Cause: The County has not effectively enforced its policies concerning credit card usage.

Effect: Increased risk of unauthorized and/or fraudulent credit card usage.

Recommendation: The County should effectively enforce its policy requiring employees to submit all credit card receipts to the accounting department as soon as possible.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Federal Award Findings and Questioned Costs

Item: 08-11 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Agencies: U.S. Department of Agriculture, U.S. Department of the Interior

Pass-through Entities: Arizona State Treasurer, N/A

Award Year: Various

Award Numbers: None

Questioned Costs: N/A

Criteria: The Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, §320, requires that the single audit reporting package be submitted within nine months after the end of the audit period, unless a longer period is agreed to by the oversight agency.

Condition: The County's fiscal year 2008 single audit reporting package was not submitted within nine months after the end of the audit period.

Cause: The County was unable to prepare the accounting records and financial statements in a timely manner.

Effect: Due to the late submission of the County's single audit reporting package, the County has an instance of noncompliance with OMB Circular A-133 report submission requirements, which impacts all Federal programs administered by the County.

Recommendation: To help ensure compliance with the OMB Circular A-133, the County should prepare accurate and complete financial statements in a timely manner to facilitate the submission of the single audit reporting package by the required deadline.

Item: 08-12 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Agencies: U.S. Department of Agriculture, U.S. Department of the Interior

Pass-through Entities: Arizona State Treasurer, N/A

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Award Year: Various

Award Numbers: None

Questioned Costs: N/A

Condition: The handling and recording of any one transaction from beginning to end by any one individual is not being prohibited. See Section II – Financial Statement Findings, item 08-01.

Item: 08-13 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Agencies: U.S. Department of Agriculture, U.S. Department of the Interior

Pass-through Entities: Arizona State Treasurer, N/A

Award Year: Various

Award Numbers: None

Questioned Costs: N/A

Condition: Signature or initials of the county official authorized to approve journal entries is not documented. See Section II – Financial Statement Findings, item 08-03.

Item: 08-14 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Agencies: U.S. Department of Agriculture, U.S. Department of the Interior

Pass-through Entities: Arizona State Treasurer, N/A

Award Year: Various

Award Numbers: None

Questioned Costs: N/A

Condition: The County did not record revenues and expenses from the prior fiscal year in the prior fiscal year's records. See Section II – Financial Statement Findings, item 08-06.

Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Item: 08-15 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Agencies: U.S. Department of Agriculture, U.S. Department of the Interior

Pass-through Entities: Arizona State Treasurer, N/A

Award Year: Various

Award Numbers: None

Questioned Costs: N/A

Condition: The County has not developed procedures to ensure that the reconciliation of each fund's cash balance to the treasurer's report is performed monthly. See Section II – Financial Statement Findings, item 08-07.

County Responses

Greenlee County, Arizona
Corrective Action Plan
Year Ended June 30, 2008

Financial Statement Findings

Item: 08-01 (Repeat Finding)

Subject: Segregation of Duties

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls in order to segregate the handling and recording of any one transaction from beginning to end.

Item: 08-02 (Repeat Finding)

Subject: Public Fiduciary

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: The Board of Supervisors office is developing a plan to provide fiscal oversight to ensure all items listed are completed. We are working with the Public Fiduciary and the Superior Court judge to develop a policies and procedures manual.

Item: 08-03 (Repeat Finding)

Subject: Journal Entries

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: June 30, 2010

Corrective Action: The journal entry process was modified starting March 1, 2010 to include an audit trail of approvals, entry, etc. The new accounting software will also address this issue.

Item: 08-04 (Repeat Finding)

Subject: Cash in Bank (Departmental Accounts)

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: June 30, 2009

Corrective Action: These are clearing and revolving accounts. These accounts will be included in the fiscal year ended June 30, 2009 financial statements.

Greenlee County, Arizona
Corrective Action Plan
Year Ended June 30, 2008

Item: 08-05 (Repeat Finding)

Subject: Cash in Bank (Departmental Accounts)

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: June 30, 2010

Corrective Action: The County has implemented a requirement that all departments submit a copy of the check register along with the bank reconciliation for each account by the fifteenth of the following month.

Item: 08-06 (Repeat Finding)

Subject: Revenue and Expense Cut-off Procedures

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: June 30, 2010

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls. The County will develop policies and procedures to ensure receipts received in July and August are reviewed and recorded in the correct year.

Item: 08-07 (Repeat Finding)

Subject: Reconciliation to the County Treasurer

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: Currently the County is reconciling cash balances by fund to the county treasurer's records at fiscal year end. Due to budget constraints, the department does not have the staffing to reconcile the cash balances on a monthly basis but will strive to complete these reconciliations on a more timely basis than annually.

Item: 08-08 (Repeat Finding)

Subject: Transfers

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: The County is currently working on improving the existing policies and procedures which will include proper documentation of the Board of Supervisor's transfer approvals in the transcribed minutes.

Greenlee County, Arizona
Corrective Action Plan
Year Ended June 30, 2008

Item: 08-09

Subject: Travel Claims (Independent Authorization)

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: The County's policy is that all travel is to be preapproved. The County Administrator had preapproved the travel of the employee, but the documents turned in for reimbursement after the trips were taken were falsified. The employee was taken to court and ordered to pay restitution in the amount of \$8,593.45 which was the amount determined by the Courts to be the economic loss to the County. The County is currently working on improving the existing policies and procedures for stronger internal controls to prevent future occurrences.

Item: 08-10

Subject: Credit Card – Supporting Documentation

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Ongoing

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls which will include proper oversight over credit card usage. Proper supporting documentation will be required to be submitted timely and will be reviewed thoroughly.

Greenlee County, Arizona
Corrective Action Plan
Year Ended June 30, 2008

Federal Award Findings and Questioned Costs

Item 08-11 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Immediately

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

Item: 08-12 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Immediately

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls in order to segregate the handling and recording of any one transaction from beginning to end.

Item: 08-13 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Immediately

Corrective Action: The journal entry process is being modified starting March 1, 2010 to include an audit trail of approvals, entry, etc. The new accounting software will address this issue.

Greenlee County, Arizona
Corrective Action Plan
Year Ended June 30, 2008

Item: 08-14 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Immediately

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls. The County will develop policies and procedures to ensure receipts received in July and August are reviewed and recorded in the correct year.

Item: 08-15 (Repeat Finding)

CFDA Numbers: 10.665, 15.226

Programs: Schools and Roads – Grants to States, Payments in Lieu of Taxes

Contact Person: Kay Gale, Administrator

Anticipated Completion Date: Immediately

Corrective Action: Currently the County is reconciling their cash balances by fund to the county treasurer's records at fiscal year end. Due to budget constraints, the department does not have the staffing to reconcile the cash balances on a monthly basis but will strive to complete these reconciliations on a more timely basis than annually.

Greenlee County, Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Status of Prior Year Federal Award Findings and Questioned Costs

Item: 04-2, 05-2, 06-2, 07-11

CFDA Number: 10.665, 15.226, 20.106, 93.283, 97.067

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

Status: Not corrected

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls in order to segregate the handling and recording of any one transaction from beginning to end.

Item: 05-3, 06-3, 07-09

CFDA Number: 10.665, 15.226, 20.106, 93.283, 97.067

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

Status: Not Corrected

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

Item: 07-10

CFDA Numbers: 93.283, 97.067

Programs: Centers for Disease Control and Prevention – Investigations and Technical Assistance, Homeland Security Grant Program

Status: Not Corrected

Corrective Action: The County will implement a policy that states that both non federal and federal equipment will be inventoried every two years on a rotating basis. The limited staff requires the County to inventory every asset on a two year basis. The policy has been implemented with the current fiscal year.

Greenlee County, Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Item: 07-12

CFDA Numbers: 10.665, 15.226, 93.283, 97.067

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

Status: Not Corrected

Corrective Action: The journal entry process was modified starting March 1, 2010 to include an audit trail of approvals, entry, etc. The new accounting software will also address this issue.

Item: 07-13

CFDA Numbers: 10.665, 15.226, 93.283, 97.067

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

Status: Not Corrected

Corrective Action: The County is currently working on improving the existing policies and procedures for stronger internal controls. The County will develop policies and procedures to ensure receipts received in July and August are reviewed and recorded in the correct year.

Item: 07-14

CFDA Numbers: 10.665, 15.226, 93.283, 97.067

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

Status: Not Corrected

Corrective Action: Currently the County is reconciling their cash balances by fund to the county treasurer's records at fiscal year end. Due to budget constraints, the department does not have the staffing to reconcile the cash balances on a monthly basis but will strive to complete these reconciliations on a more timely basis than annually.