



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Yavapai County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



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Yavapai County
Single Audit Reporting Package
Year Ended June 30, 2014

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Reports Issued Separately

Comprehensive Annual Financial Report

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*



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Members of the Arizona State Legislature

The Board of Supervisors of
Yavapai County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Yavapai County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion on the Maternal and Child Health Services Block Grant to the States Program

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Maternal and Child Health Services Block Grant to the States (93.994)

program's allowable costs/cost principles compliance requirement as described in item 2014-101. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Qualified Opinion on the Maternal and Child Health Services Block Grant to the States Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Yavapai County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Maternal and Child Health Services Block Grant to the States (93.994) program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Yavapai 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 other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-102, 2014-103, and 2014-104. Our opinion on each major federal program is not modified with respect to these matters.

Yavapai County's responses to the noncompliance findings identified in our audit are presented on pages 17 through 19. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-101 and 2014-102 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-103 and 2014-104 to be significant deficiencies.

Yavapai County's responses to the internal control over compliance findings identified in our audit are presented on pages 17 through 19. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Yavapai County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 18, 2014, 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA
Financial Audit Director

March 18, 2015

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Yavapai County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures
Department of Agriculture					
10 551	Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030679	\$ 122,899
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	19,970
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	<u>58,858</u>
	<i>Total Child Nutrition Cluster</i>				<u>78,828</u>
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS 11-004545, ADHS14-053058	766,530
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010884	26,012
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster	Arizona State Treasurer	None	2,260,608
10 855	Distance Learning and Telemedicine Loans and Grants				499,188
10 923	ARRA—Emergency Watershed Protection Program, Recovery				148,477
10 11-PA-11030900-023	Forest Service				<u>85,003</u>
	Total Department of Agriculture				<u>3,987,545</u>
Department of Housing And Urban Development					
14 228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	CDBG—State-Administered CDBG Cluster	Arizona Department of Housing	103-14, 108-14, 112-14, 116-14, 122-14	<u>68,024</u>
Department of Justice					
16 2013-06	Domestic Cannabis Eradication/Suppression Program				15,874
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families	JB-CSG-13-3365-09, JB-CSG-14-4365-11	23,480
16 543	Missing Children's Assistance		Arizona Crimes Against Children Task Force	2012-MC-FX-K008	7,563
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2013-093	223,898
16 606	State Criminal Alien Assistance Program				177,569
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster			25,196
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	DC-14-009	128,023
	<i>Total JAG Program Cluster</i>				<u>153,219</u>
	Total Department of Justice				<u>601,603</u>
Department of Labor					
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111014001	341,746

See accompanying notes to schedule.

Yavapai County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE111014001	373,195
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111014001	<u>384,261</u>
	<i>Total WIA Cluster</i>				<u>1,099,202</u>
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111014001	<u>22,639</u>
	Total Department of Labor				<u>1,121,841</u>
Department of Transportation					
20 106	Airport Improvement Program				49,405
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	JPA 11-087, JPA 11-1331, JPA 12-0901, JPA 12-1011, JPA 12-1051	394,152
20 505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		Arizona Department of Transportation	JPA 11-087	18,803
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-PS-009, 2013-PT-042, 2014-CIOT-019, 2014-PT-022	33,724
20 601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-410-031, 2014-164-086, 2014-410-023	<u>69,990</u>
	<i>Total Highway Safety Cluster</i>				<u>103,714</u>
20 608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		Arizona Governor's Office of Highway Safety	2014-164-086, 2014-164-087	<u>185,529</u>
	Total Department of Transportation				<u>751,603</u>
Institute of Museum and Library Services					
45 310	Grants to States		Arizona State Library, Archives and Public Records	None	<u>16,151</u>
Department of Education					
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	None	50,319
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	14FESSCG-470744-03A, 14FESCBG-470744-05A	339,249
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	None	70,170
84 173	Special Education—Preschool Grants	Special Education Cluster (IDEA)	Arizona Department of Education	14FECCBP-470744-02A	<u>15,570</u>
	<i>Total Special Education Cluster (IDEA) Cluster</i>				<u>424,989</u>
84 365	English Language Acquisition State Grants		Arizona Department of Education	14FELENG-470744-04A	28,665
84 366	Mathematics and Science Partnerships		Arizona Department of Education	14FMSMP2-470744-01A	131,747
84 366	Mathematics and Science Partnerships		Coconino County, Arizona	14FMSMSP-470669-04A	<u>15,565</u>
	<i>Total 84.366</i>				<u>147,312</u>
84 367	Improving Teacher Quality State Grants		Arizona Supreme Court	None	7,811

See accompanying notes to schedule.

Yavapai County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures
84 395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants,		Arizona Department of Education	13-06-EDSG	168,413
84 395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants,		Arizona Governor's Office of Education Innovation	RT-GRA-14-3304-01	29,995
	<i>Total 84.395</i>				<u>198,408</u>
	Total Department of Education				<u>857,504</u>
Election Assistance Commission					
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	<u>26,136</u>
Department of Health and Human Services					
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007898	267,951
93 217	Family Planning—Services		Arizona Family Health Partnership	None	244,295
93 224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	Health Centers Cluster			209,635
93 527	Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	Health Centers Cluster			842,501
	<i>Total Health Centers Cluster</i>				<u>1,052,136</u>
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041551	89,626
93 283	Centers for Disease Control and Prevention—Investigations and Technical Assistance		Arizona Department of Health Services	ADHS13-029635, ADHS13-042813, ADHS14-064589	114,354
93 507	PPHF National Public Health Improvement Initiative		Arizona Department of Health Services	ADHS12-020652	2,317
93 563	Child Support Enforcement		Arizona Department of Economic Security	G1304AZ4004	165,065
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	G1101AZSAVP	7,413
93 617	Voting Access for Individuals with Disabilities—Grants to States		Arizona Secretary of State	None	31,322
93 917	HIV Care Formula Grants		Arizona Department of Health Services	ADHS13-040485	65,764
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-029720	21,853
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-065360	5,078
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS13-049620 HG854500	5,246
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854376	5,765
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS11-006153, ADHS12-010920, ADHS12-021337, ADHS13-034544, ADHS13-044452	453,438
	Total Department of Health and Human Services				<u>2,531,623</u>

See accompanying notes to schedule.

Yavapai County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures
Department of Homeland Security					
97 024	Emergency Food and Shelter National Board Program		United Way	028000-020	3,068
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2013-EP-000024	46,021
97 046	Fire Management Assistance Grant		Arizona State Forestry Division	None	220,219
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130507-04, 130512-01, 999512-04	22,438
	Total Department of Homeland Security				<u>291,746</u>
	Total expenditures of federal awards				<u>\$ 10,253,776</u>

See accompanying notes to schedule.

Yavapai County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Yavapai County's federal grant activity 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.

The amount reported on the schedule for the National School Lunch Program (10.555) includes \$28,905 of noncash assistance.

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *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.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program or Cluster Title	CFDA Number	Amount
WIA Cluster:		
WIA Adult Program	17.258	\$341,746
WIA Youth Activities	17.259	373,195
WIA Dislocated Worker Formula Grants	17.278	384,261
Incentive Grants—WIA Section 503	17.267	22,639

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Yavapai County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unmodified	
		Yes	No
Internal control over financial reporting:			
Material weaknesses identified?	___		<u>X</u>
Significant deficiencies identified?	___		<u>X</u>
Noncompliance material to the financial statements noted?	___		<u>X</u> (None reported)

Federal Awards

Internal control over major programs:			
Material weaknesses identified?		<u>X</u>	___
Significant deficiencies identified?		<u>X</u>	___
Type of auditors' report issued on compliance for major programs:			
Unmodified for all major programs except for the Maternal and Child Health Services Block Grant to the States program, which was qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		<u>X</u>	___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Forest Service Schools and Roads Cluster
10.855	Schools and Roads—Grants to States
17.258	Distance Learning and Telemedicine Loans and Grants
17.259	WIA Cluster
17.278	WIA Adult Program
84.027	WIA Youth Activities
84.173	WIA Dislocated Worker Formula Grants
84.395	Special Education Cluster (IDEA)
	Special Education—Grants to States
	Special Education—Preschool Grants
	State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, Recovery Act

Yavapai County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

CFDA Number

93.994
 97.046

Name of Federal Program or Cluster

Maternal and Child Health Services Block Grant to the States
 Fire Management Assistance Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$307,613

Yes No

Auditee qualified as low-risk auditee? _____ X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? X _____

Yavapai County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Financial Statement Findings

The 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* was separately issued.

Federal Award Findings and Questioned Costs

2014-101

CFDA No. and Name:	93.994 Maternal and Child Health Services Block Grant to States
Award Numbers and Years:	ADHS12-010920, January 1, 2013 through December 31, 2014 ADHS13-034544, January 1, 2013 through December 31, 2014 ADHS13-044452, July 1, 2013 through June 30, 2014 ADHS11-006153, July 1, 2013 through June 30, 2014 ADHS12-021337, April 1, 2014 through March 31, 2015
Federal Agency:	Department of Health and Human Services
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 Code of Federal Regulations (CFR) §200.430(i), the County should maintain records that accurately reflect salaries and wages charged to the federal program. These records must be supported by a system of internal control that provides reasonable assurance that charges are accurate, allowable, and properly allocated. Budget estimates alone do not qualify as support for charges to federal awards, but may be used if the County performs additional procedures to ensure the final amount charged to the federal award is accurate, allowable, and properly allocated.

Condition and context: During the fiscal year, the County's Health Department (Department) spent \$386,456 in salaries and wages for the Maternal and Child Health Services Block Grant to the States program. Salaries and wages were charged to the program using budgeted distribution percentages that were set in the payroll system. For \$132,226 of payroll costs charged to the program, the Department completed monthly time and effort reports and adjusted payroll costs for any differences between budgeted and actual payroll charges. However, for \$254,230 of payroll costs charged to the program, the Department did not complete time-and-effort reports or perform other procedures to verify that payroll charged to the program was accurate.

Effect: The Department may have charged inappropriate payroll costs to the program. It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding.

Yavapai County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause: Although the Department had policies and procedures to ensure that salaries and wages reflect the actual time spent working on the program, it did not follow its procedures for all payroll charged to the program.

Recommendation: The Department should ensure it follows established policies and procedures for all payroll costs charged to federal programs.

2014-102

CFDA No. and Name:	10.855 Distance Learning and Telemedicine Loans and Grants
Award Numbers and Years:	Arizona 722-A16, July 24, 2012 through July 24, 2015
Federal Agency:	Department of Agriculture
Compliance Requirement:	Suspension and Debarment
Questioned Costs:	None

Criteria: In accordance with 2 CFR §180, when a nonfederal entity enters into a procurement transaction that is expected to equal or exceed \$25,000, the nonfederal entity must verify that vendors are not suspended or debarred or are otherwise excluded from participating in federal assistance programs.

Condition and context: The County's procurement policy includes procedures for ensuring vendors are not suspended or debarred. However, the County's School Superintendent's Office (Office) did not follow these procedures for the Distance Learning and Telemedicine Loans and Grants program.

Effect: Payments could be made to suspended or debarred vendors. Auditors performed additional procedures and did not note any questioned costs as a result of this finding since no payments were made to vendors that were suspended or debarred or otherwise excluded from participating in federal assistance programs. This finding has the potential to affect other federal programs the County administers.

Cause: The Office was not aware of the suspension and debarment requirement.

Recommendation: The Office should ensure it follows the County's established procurement policies and procedures, including those meant to help ensure vendors are not suspended or debarred or are otherwise excluded from participating in federal assistance programs.

Yavapai County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-103

Cluster Name:	Special Education Cluster (IDEA)
CFDA No. and Name:	84.027 Special Education—Grants to States 84.173 Special Education—Preschool Grants
Award Numbers and Years:	14FECCBP-470744-02A, July 1, 2013 through June 30, 2014 14FESCBG-470744-05A, July 1, 2013 through June 30, 2014 14FESSCG-470744-03A, October 1, 2013 through September 30, 2014
Federal Agency:	Department of Education
Pass-Through Grantor:	Arizona Department of Education
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR §200.430(i), the County should maintain records that accurately reflect salaries and wages charged to the federal program. These records must be supported by a system of internal control that provides reasonable assurance that charges are accurate, allowable, and properly allocated. Budget estimates alone do not qualify as support for charges to federal awards, but may be used if the County performs additional procedures to ensure the final amount charged to the federal award is accurate, allowable, and properly allocated.

Condition and context: During the fiscal year, the County's School Superintendent's Office (Office) spent \$340,445 in salaries and wages for the Special Education Cluster (IDEA). Salaries and wages were charged to the program using budgeted distribution percentages that were set in the payroll system. For payroll costs charged to the program, the Office completed monthly time-and-effort reports and adjusted payroll costs for any differences between budgeted and actual payroll charges at fiscal year-end. However, auditors noted the following:

- For one employee, the April 2014 monthly time-and-effort log had 31 days;
- For one time-and-effort log, the log was not signed by the employee or reviewed by appropriate personnel; and
- For payroll adjustments, management did not review staff calculations to ensure adjustments were appropriate and accurate.

Effect: The Office may have charged inappropriate payroll costs to the program. It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding.

Cause: The Office's policies and procedures were not sufficient to ensure that salaries and wages reflect the actual time spent working on the federal program.

Yavapai County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Recommendation: The Office should revise its policies and procedures for payroll charged to federal programs. Time-and-effort logs should reflect the proper number of days within a month and be signed by the employee and reviewed by appropriate personnel with knowledge of the employees' job responsibilities. In addition, management should review staff calculations for payroll adjustments to help ensure the adjustments are appropriate and accurate.

This finding is similar to a prior-year finding.

2014-104

CFDA No. and Name:	Not applicable
Questioned Costs:	N/A

Criteria: In accordance with OMB Circular A-133, §.300, the County is required to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report federal award expenditures in accordance with OMB Circular A-133, §.205.

Condition and context: The County did not properly identify federal awards in its records and accounting system so that it could prepare an accurate and complete SEFA. Auditors noted the County misstated its federal award expenditures for four programs. The County's SEFA was adjusted for these errors.

Effect: The County did not comply with OMB Circular A-133 reporting requirements.

Cause: The County did not have effective policies and procedures in place to ensure that all federal monies were identifiable in its accounting system and properly recorded in the SEFA. In addition, controls were not effective to ensure that all federal program information was correctly reported on the SEFA.

Recommendation: To help ensure that the County prepares its SEFA in compliance with OMB Circular A-133, the County should develop and implement policies and procedures to verify transactions are entered into the County's computer system accurately and develop an effective review process to ensure accurate information is reported on the SEFA.



Yavapai County Finance Department

PETE SAXTON, CPA

FINANCE DIRECTOR

March 17, 2015

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport,

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for the corrective action, the corrective action planned, and the anticipated completion date for each federal award finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Pete Saxton
Finance Director

Yavapai County
Corrective Action Plan
Year Ended June 30, 2014

Federal Award Findings and Questioned Costs

2014-101

CFDA No.: 93.994 **Maternal and Child Health Services Block Grant to States**

Name of contact person: Nathan Peterson, Assistant Director – Public Health
Anticipated completion date: March 31, 2015

Staff will be required to fill out time studies in an accurate and timely fashion and perform other procedures to verify that payroll charged to the program is accurate.

2014-102

CFDA No.: 10.855 **Distance Learning and Telemedicine Loan and Grants**

Name of contact person: Stan Goligoski, Executive Director, YCESA
Anticipated completion date: March 31, 2015

The finding indicated the Yavapai County Education Service Agency (YCESA) failed to follow a step in the procurement process to identify if the vendor chosen for the distance learning equipment was or was not on the suspension or debarment list. The YCESA will follow every step in the county procurement process as outlined in the Yavapai County Procurement Policy (dated 11/1/2013) regardless if the vendor or potential purchase is under AZ State contract or not. This procedure will be verified by the YCESA Financial Administrator with the ability to confer with the Yavapai County budget office and the approval from the YCESA executive director.

2014-103

Special Education Cluster (IDEA)

CFDA No.: 84.027 **Special Education—Grants to States**

CFDA No.: 84.173 **Special Education—Preschool Grants**

Name of contact person: Stan Goligoski, Executive Director, YCESA
Anticipated completion date: March 31, 2015

The Yavapai County Education Service Agency's Executive Director has counseled the staff to be more diligent when reviewing the time and effort logs to ensure accuracy. Actions have been put in place to ensure redundancy of checking for accuracies in time and effort logs. The first step is the completion of each month's time and effort log from the employee and signature within 60 days of last day of each month for services rendered. The office reviews the hours assigned by the personnel and confirms the appropriate funding streams are indicated on the time and effort logs. The final step includes the secondary signature of the YCESA's Executive Director within 60 days of completion.

Yavapai County
Corrective Action Plan
Year Ended June 30, 2014

2014-104

CFDA No. and Name: Not applicable

Name of contact person: Pete Saxton, Finance Director Yavapai County

Anticipated completion date: 6/30/2015

To help ensure that the SEFA is complete and accurate during its production, the Finance Department will work with the program coordinators for the affected programs and we will enhance our procedures to record transactions and review the preliminary SEFA report data. In order to do this we will carefully review the documentation obtained from grantors and ensure this documentation supports the account for deposits of federal funds. We will also review our procedures for SEFA production and determine if additional reconciliations would be productive.

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Yavapai County Finance Department

PETE SAXTON, CPA

FINANCE DIRECTOR

March 17, 2015

Debbie Davenport
Auditor General
2910 North 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport,

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

Sincerely,

Pete Saxton
Finance Director

Yavapai County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Status of Federal Award Findings and Questioned Costs

CFDA No. : 20.106 **Airport Improvement Program**

Finding No. : 2013-101 and 12-108

Status: Fully corrected.

CFDA No. : 84.395 **State Fiscal Stabilization Fund (SFSF) —Race-to-the-Top Incentive Grants Program, Recovery Act**

Finding No. : 2013-102 and 12-104

Status: Not corrected. See Corrective Action Plan for 2014-103.

CFDA No. : 84.395 **State Fiscal Stabilization Fund (SFSF) —Race-to-the-Top Incentive Grants Program, Recovery Act**

Finding No. : 2013-103 and 12-101

Status: Fully corrected.