

Greenlee County, Arizona
Single Audit Reporting Package

Year ended June 30, 2017

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Single Audit Reporting Package
Year ended June 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 April 25, 2018.

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.

A handwritten signature in black ink that reads "Walker & Armstrong, LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
April 25, 2018

**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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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.

Unmodified 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, 2017.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2017-101. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the finding identified in our audit is presented in its corrective action plan at the end of this report. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 25, 2018, 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
April 25, 2018

**Greenlee County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2017**

Summary of Auditors' 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

Internal control over financial reporting:

Material weaknesses identified

	X
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Significant deficiencies identified

None reported	
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Noncompliance material to the financial statements noted?

	X
--	---

Federal Awards

Internal control over major programs:

Material weaknesses identified

	X
--	---

Significant deficiencies identified

None reported	
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Type of auditor's report issued on compliance for major programs:

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

X	
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Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
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15.226 Payments in Lieu of Taxes

93.069 Public Health Emergency Preparedness Program

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

\$ 750,000

Auditee qualified as a low risk auditee?

	X
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Other Matters:

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

X	
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Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings: None

C. Federal Award Finding:

Finding 2017-101 – Single Audit Reporting Package Not Filed Timely

CFDA Number: All major federal programs

Program Title: All major federal programs

Federal Agency: All major federal programs

Award Year: 2017

Award Number: Various

Compliance Requirements: Reporting

Questioned Costs: None

Criteria: The terms of the County’s federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditees’ fiscal year end.

Condition and context: 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.

Cause: The completion of the audit was delayed because the County was unaware of a requirement to report a school in its annual financial report. It took several weeks to research and conclude on the reporting requirements and account for the school in the County’s financial statements. The County would have met its reporting deadline had it not been for this matter.

Effect: The effect is the untimely submission of the single audit reporting package resulting in noncompliance with federal requirements.

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

County’s Response: The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report.

Greenlee County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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	\$ 128,477	\$ -
<i>Passed through the Arizona State Treasurer</i>				
Schools and Roads - Grants to States	10.665	None	44,332	7,166
Total U.S. Department of Agriculture			<u>172,809</u>	<u>7,166</u>
<u>U.S. Department of the Interior</u>				
Payments in Lieu of Taxes	15.226	N/A	950,973	-
Total U.S. Department of the Interior			<u>950,973</u>	<u>-</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	31,990	-
Total U.S. Department of Justice			<u>31,990</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106		90,176	-
Total U.S. Department of Transportation			<u>90,176</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	214,217	-
PPHF Capacity Building Assistance to Strengthen Public Health	93.539	ADHS13-041541	67,408	-
<i>Passed through the Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	DE12-100077	9,806	-
<i>Passed through the Arizona Department of Health Service</i>				
HIV Care Formula Grants	93.917	ADHS13-040479	57,190	-
Total U.S. Department of Health and Human Services			<u>348,621</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, 2017

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>				
Hazard Mitigation Grant	97.039	EMF-2016-PC-	\$ 8,459	
Emergency Management Performance Grants	97.042	EMF-2016-EP- 00009	116,455	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	15-AZDOHS-OPSG- 150311-01	11,137	-
Total U.S. Department of Homeland Security			<u>136,051</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 1,730,620</u>	<u>\$ 7,166</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, 2017

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, 2017. 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 2017 *Catalog of Federal Domestic Assistance*.

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

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253 5TH STREET
CLIFTON, AZ 85533

DAVID GOMEZ
District 1

RON CAMPBELL
District 2

RICHARD LUNT
District 3

April 25, 2018

Ms. Lindsey Perry
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Perry,

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, for the finding reported 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.

Sincerely,

Deborah K. Gale
County Administrator
Greenlee County

DEBORAH K. GALE
County Administrator
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YVONNE PEARSON
Clerk of the Board
(928) 865-2072

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DAVID GOMEZ
District 1

RON CAMPBELL
District 2

RICHARD LUNT
District 3

Corrective Action Plan

Finding 2017-101 Single Audit Reporting Package Not Filed Timely

CFDA Number: All major federal programs

Program Title: All major federal programs

Federal Agency: All major federal programs

Award Year: 2017

Award Number: Various

Compliance Requirements: Reporting

Contact Name: Deborah K. Gale, County Administrator

Corrective Action Planned: Greenlee County will begin the year-end closing process sooner to allow for more time to resolve unexpected technical and reporting issues. This will allow the necessary time to complete and comply with all standards and expected deadlines.

Anticipated Completion Date: Fiscal year ending June 30, 2018

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April 25, 2018

Ms. Lindsey Perry
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Perry,

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

Sincerely,

Deborah K. Gale
County Administrator
Greenlee County

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Status of Prior Year's Findings

2016-01 – Internal Controls over Preparing Financial Reporting

Condition: Before recommended adjustments were made, accounts payable and cash were overstated by approximately \$400,000, and intergovernmental revenues and the corresponding receivables were overstated by approximately \$80,000.

Criteria, Cause and Effect: The County should have adequate internal controls in place to help ensure that its financial statements are accurate and prepared in accordance with Generally Accepted Accounting Principles (GAAP). The cause was insufficient oversight on year-end closing process. The effect is that prior to posting audit adjusting journal entries, the County's financial statements were materially misstated. The County has made the recommended audit adjustments to the financial statements.

Recommendation: The prior auditor recommended that to help ensure accuracy of the County's financial statements, the County should follow GAAP and its policies and procedures for compiling its financial statements.

Status: This finding was partially corrected, however, see finding 2017-101.

2016-02 – Internal Controls over Payroll Process

Condition: Out of 68 payroll transactions tested, the auditors noted one error in the calculation of overtime pay and a separate error in the calculation of the required retirement contribution.

Criteria, Cause and Effect: The County should properly implement internal controls over payroll processing to help ensure that employees are paid for only hours they worked and payroll expenditures are accurately reported in the County's financial statements. The cause was unknown. The effect was that without properly implementing internal controls over payroll processing, the County could inaccurately pay its employees and incorrectly report payroll expenditures in the financial statements. Without properly implementing internal controls over payroll processing, the County could inaccurately pay its employees and incorrectly report payroll expenditures in the financial statements.

Recommendation: To help ensure that employees are paid only the hours they work and that payroll expenditures are accurately reported in the financial statements, the County should consistently adhere to its established policies and procedures over payroll processing.

Status: This finding was corrected.