

**Greenlee County**  
**Single Audit Reports**

Year Ended June 30, 2016

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**Greenlee County**  
**Single Audit Reports**  
**Year Ended June 30, 2016**  
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**SINGLE AUDIT REPORTS**

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**REPORT ISSUED SEPARATELY**

Annual Financial Report

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**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 Board of Supervisors of  
Greenlee County, Arizona

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 22, 2017.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-02 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Greenlee County Response to Findings**

Greenlee County's responses to the findings identified in our audit are presented on pages 10 through 11. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

### **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 "Fester & Chapman P.C." with a stylized ampersand.

March 22, 2017

**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 the Uniform Guidance**

The Auditor General of the State of Arizona

The Board of Supervisors of  
Greenlee County, Arizona

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

We have audited Greenlee County's 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 its major federal programs for the year ended June 30, 2016. 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 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 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 noncompliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Greenlee 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, 2016.

### **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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 22, 2017, 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.

Handwritten signature in cursive script that reads "Fester & Chapman P.C." with a stylized ampersand.

March 22, 2017

**Greenlee County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

Federal Agency/CFDA Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Agriculture</b>						
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	13-029585	\$ 135,866	
10.665	Schools and Roads - Grants to States	Forest Service Schools and Roads Cluster	Arizona State Treasurer	None	<u>652,072</u>	<u>\$ 352,147</u>
<b>Total U.S. Department of Agriculture</b>					<u>787,938</u>	<u>352,147</u>
<b>U.S. Department of Interior</b>						
15.226	Payments in Lieu of Taxes			N/A	<u>973,144</u>	
<b>Total U.S. Department of Interior</b>					<u>973,144</u>	
<b>U.S. Department of Justice</b>						
16.738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-13-003, DC-13-053	<u>28,228</u>	
<b>Total U.S. Department of Justice</b>					<u>28,228</u>	
<b>U.S. Department of Transportation</b>						
20.106	Airport Improvement Program			N/A	<u>89,736</u>	
<b>Total U.S. Department of Transportation</b>					<u>89,736</u>	
<b>U.S. Department of Health and Human Services</b>						
93.069	Public Health Emergency Preparedness		Arizona Department of Health Services	12-007889	184,081	
93.268	Immunization Cooperative Agreements		Arizona Department of Health Services	HG854286, 11-003824, 13-041541	58,172	
93.563	Child Support Enforcement		Arizona Department of Economic Security	G1304AZ4004	8,594	
93.940	HIV Prevention Activities - Health Department Based		Arizona Department of Health Services	HG852274	56,536	
93.994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	11-005261	<u>1,920</u>	
<b>Total U.S. Department of Health and Human Services</b>					<u>309,303</u>	
<b>U.S. Department of Homeland Security</b>						
97.042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	2012-EP00003	<u>115,519</u>	
<b>Total U.S. Department of Homeland Security</b>					<u>115,519</u>	
<b>Total Expenditures of Federal Awards</b>					<u>\$ 2,303,868</u>	<u>\$ 352,147</u>

See accompanying notes to schedule.

**Greenlee County**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes Greenlee County's federal grant activity for the year ended June 30, 2016. The information in 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) NUMBER**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*.

**NOTE 4 - INDIRECT COST RATE**

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

**NOTE 5 - SUBRECIPIENTS**

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Schools and Roads - Grants to States	10.665	\$ 352,147

**Greenlee County**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

**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 weakness(es) identified?	<u>  X  </u>	<u>          </u>
Significant deficiency(ies) identified?	<u>  X  </u>	<u>          </u>
Noncompliance material to the financial statements noted?	<u>          </u>	<u>  X  </u>

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?	<u>          </u>	<u>  X  </u>
Significant deficiency(ies) identified?	<u>          </u>	<u>  X  </u>
		(None reported)

Type of auditors' report issued on compliance for major programs:

Unmodified

Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	<u>          </u>	<u>  X  </u>
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**Identification of major program:**

CFDA Number	Name of Federal Program or Cluster
15.226	Payments in Lieu of Taxes

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	<u>          </u>	<u>  X  </u>
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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)?	<u>          </u>	<u>  X  </u>
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**Greenlee County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

**FINANCIAL STATEMENT FINDINGS**

2016-01 INTERNAL CONTROLS OVER PREPARING FINANCIAL REPORTING

- Criteria: 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).
- Condition and context: 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.
- Effect: 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.
- Cause: Insufficient oversight on year-end closing process.
- Recommendation: 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.

2016-02 INTERNAL CONTROLS OVER PAYROLL PROCESS

- Criteria: 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.
- Condition and context: Out of 68 payroll transactions tested, we noted one error in the calculation of overtime pay and a separate error in the calculation of the required retirement contribution.
- Effect: Without properly implementing internal controls over payroll processing, the County could inaccurately pay its employees and incorrectly report payroll expenditures in the financial statements.
- Cause: Unknown.
- 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.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

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

YVONNE PEARSON  
Clerk of the Board  
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FACSIMILE (928) 865-9332



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District 2

RICHARD LUNT  
District 3

March 22, 2017

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> St., Ste. 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

We have prepared the accompanying Corrective Action Plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, for each finding we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

A handwritten signature in cursive script that reads "Deborah K. Gale". The signature is written in black ink and is positioned above the typed name of the County Administrator.

Deborah K. Gale, County Administrator  
Greenlee County

## **Financial Statement Findings**

### **Item: 2016-001**

Subject: Internal controls over year-end closing process

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

**Corrective Action:** We, Greenlee County, will develop comprehensive policies and procedures to ensure all material account balances are properly recorded at year-end.

### **Item: 2016-002**

Subject: Internal controls over payroll processing

Contact Person: Rene Ontiveros, Chief Finance Officer

Anticipated Completion Date: Immediately

**Corrective Action:** We, Greenlee County, will properly implement policies and procedures over payroll processing to ensure that employees are paid based on hours worked, and payroll expenditures are accurately reported in the financial statements.