

Apache County, Arizona
Single Audit Reporting Package

Year ended June 30, 2013

**Apache County, Arizona
Single Audit Reporting Package
Year ended June 30, 2013**

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Report Issued Separately

Financial Statements



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 Honorable Board of Supervisors of
Apache 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 Apache County, Arizona (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2015.

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 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 weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 to 2013-002 to be material weaknesses.

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 2013-003 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*.

Apache County Responses to Findings

The County's responses to the findings identified in our audit are presented on pages 16 through 17. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker & Armstrong, LLP

Phoenix, Arizona
September 30, 2015

**Independent Auditor's 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**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Apache County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Apache County's (the "County") 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 the County's major federal programs for the year ended June 30, 2013. 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.

Opinion on Each Major Federal Program

In our opinion, Apache 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 identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed 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 2013-101 to 2013-102. Our opinion on each major federal program is not modified with respect to these matters. The County's responses to the noncompliance findings identified in our audit are presented on pages 16 through 17. 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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-101 to 2013-102 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are presented on pages 16 through 17. 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.

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 the aggregate remaining fund information of the County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 24, 2015, 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, based on our audit, the procedures performed as described previously, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Walker & Armstrong, LLP

Phoenix, Arizona
September 30, 2015

Apache County, Arizona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Passed through the Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861142	\$ 129,829
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	HG150047	41,912
<i>Passed through Arizona State Forestry</i>			
Cooperative Forestry Assistance	10.664	WFHF 09-006	39,938
Forest Service Schools and Roads Cluster:			
<i>Passed through the United States Forest Service</i>			
Schools and Roads - Grants to States	10.665	None	860,493
<i>Passed through the Arizona State Treasurer</i>			
Schools and Roads - Grants to States	10.665	None	<u>57,000</u>
Total Forest Service Schools and Roads Cluster			<u>917,493</u>
Total U.S. Department of Agriculture			<u>1,129,172</u>
U.S. Department of Housing and Urban Development			
<i>Passed through the Arizona Department of Housing</i>			
Sustainable Communities Regional Planning Grant	14.703	AZRIP0003-10	<u>358,236</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		<u>1,595,385</u>
U.S. Department of Justice			
<i>Passed through the Arizona Criminal Justice Commission</i>			
State Criminal Alien Assistance Program	16.606	None	4,883
ARRA Recovery Act - Public Safety			
Partnership and Community Policing Grant	16.710	None	89,168
ARRA Recovery Act - Public Safety			
Partnership and Community Policing Grant	16.710	2006CKWX0430	<u>158,947</u>
Total Public Safety Partnership and Community Policing Grant			248,115
JAG Program Cluster:			
ARRA Recovery Act – Edward Byrne Memorial			
Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	None	71,504
ARRA Recovery Act – Edward Byrne Memorial			
Justice Assistance Grant Program	16.738	2JC90381	<u>234,520</u>
Total JAG Program Cluster			<u>306,024</u>
Total U.S. Department of Justice			<u>559,022</u>

Apache County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2013

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Transportation			
<i>Passed through the Arizona State</i>			
<i>Department of Transportation</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	663TRN	\$ 625,296
Highway Planning and Construction	20.205	P001-0211-002780	<u>16,405</u>
Total Highway Planning and Construction Cluster			641,701
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2012-OP-001	150
State and Community Highway Safety	20.600	2006CKWX0430	<u>1,611</u>
Total Highway Safety Cluster			<u>1,761</u>
Total U.S. Department of Transportation			<u>643,462</u>
Institute of Museum and Library Services			
Grants to States	45.310		<u>\$ 25,150</u>
Total Institute of Museum and Library Services			<u>25,150</u>
U.S. Department of Energy			
ARRA Recovery Act - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>\$ 29,455</u>
Total U.S. Department of Energy			<u>29,455</u>
U.S. Department of Education			
Special Education Cluster (IDEA):			
<i>Passed through the Arizona Supreme Court</i>			
Special Education_Grants to States	84.027	34-141	14,816
Special Education_Grants to States	84.027	34-194	<u>5,435</u>
Total Special Education Cluster			20,251
<i>Passed through the Arizona Supreme Court</i>			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	KR12-0084	45,975
<i>Passed through the Arizona Department of Education</i>			
Improving Teacher Quality State Grant	84.367	KR12-0084	<u>6,098</u>
Total U.S. Department of Education			<u>72,324</u>
U.S. Election Assistance Commission			
<i>Passed through the Secretary of State</i>			
Help America Vote Act	90.401	None	<u>9,804</u>

Apache County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2013

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Passed through the National Association of County & City Health Officials</i>			
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	2013-030701	\$ 6,168
<i>Passed through the Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	HG854296	86,218
<i>National Association of County & City Health Officials</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	20H06588	91,979
<i>Passed through the Arizona Department of Health Services</i>			
Healthy Start Initiative	93.926	HG852280	91,046
Maternal and Child Health Services Block Grant to the States	93.994	HG561262	64,012
<i>Passed through the National Association of County and City Health Officials</i>			
Medical Reserve Corps Small Grant Program	93.008	MRC 10 2107	4,000
<i>Passed through the Arizona Department of Health Services</i>			
Public Health Emergency Preparedness Strengthening the Nation's Public Health System through a National Voluntary Accreditation Program for State, Tribal, Local and Territorial Health Departments	93.069	HG754192	153,110
	93.097	ADHS12-020637	20,885
Total U.S. Department of Health and Human Services			<u>517,418</u>
U.S. Department of Homeland Security			
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	2NSH8015	45,720
Homeland Security Grant Program	97.067	10-AZDOHS-HSGP- 777103-01	42,500
Total Homeland Security Grant Program			<u>88,220</u>
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	2ES01077	96,644
Total U.S. Department of Homeland Security			<u>184,864</u>
Total expenditures of federal awards			<u>\$ 5,124,292</u>

Apache County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Apache County, Arizona and is presented on the modified accrual basis of accounting. The information on 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 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipient

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

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
Sustainable Communities Regional Planning Grant	14.703	\$ 358,236

Apache County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Yes

No

Internal control over financial reporting:

Material weaknesses identified

X

Significant deficiencies identified

X

Noncompliance material to the financial statements noted?

X

Federal Awards

Internal control over major programs:

Material weaknesses identified

X

Significant deficiencies

X

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

X

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
	<i>Forest Service Schools and Roads Cluster:</i>
10.665	Schools and Roads – Grants to Counties
14.703	Sustainable Communities Regional Planning Grant
15.226	Payments in Lieu of Taxes
	<i>JAG Program Cluster:</i>
16.803	ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
16.738	ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program
	<i>Highway Planning and Construction Cluster:</i>
20.205	Highway Planning and Construction

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

\$300,000

Auditee qualified as a 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

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

2013-001 – Improve the Oversight of the Financial Reporting Process

Condition: During our audit, we noted instances in which generally accepted accounting principles had been misapplied resulting in a restatement of beginning fund balances/net assets. For example, beginning accumulated depreciation was adjusted by approximately \$1.3 million for errors made in prior year depreciation expense on infrastructure assets. Also, unrealized gains on investments totaling approximately \$467k had not been recorded. In addition, there were significant differences between the cash balances recorded by the Treasurer and the balances recorded by the finance department. Also, we noted eighteen bank accounts totaling \$757,060 that were not recorded in the County's general ledger. These accounts pertained to departments and programs outside of the County's Treasurer's office. As a result, additional analysis and correction was required several months after year-end closing. The cause was misunderstanding of the reporting requirements in prior years.

Recommendation: We recommend that all County bank accounts be identified and reported in the County's financial statements. We also recommend that County finance personnel review the reconciliations for reasonableness and accuracy. In addition, we recommend that the County devote additional resources to the financial reporting process necessary to properly reconcile and record balances and transactions.

Management Views and Corrective Action: See corrective action plan.

2013-002 – Improve the Year-End Closing Procedures

Condition: During our audit, we noted several material errors in the accounting records that required analysis and adjustment. These adjustments included corrections to cash, investments for unrealized gains and losses that were not recorded, intergovernmental receivables, accounts payable and accrued liabilities. The significance of these adjustments slowed the completion of the audit which affects the timeliness of accurate financial reporting. The cause was a shortage of resources and misunderstanding regarding the assignment of responsibility for the reconciliation of certain accounts.

Recommendation: We recommend that as part of the year-end closing process, that the County analyze and adjust the general ledger accounts. Doing so will improve compliance with the Uniform Accounting Manual for Arizona Counties issued by the State of Arizona, Office of the Auditor General and reduce the time necessary to complete the year-end audit.

Management Views and Corrective Action: See corrective action plan.

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings - Continued

2013-003 – Improve Budgetary Controls

Condition: Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. During 2013, there were three (3) instances in which the budgetary line items were over-expended. Although budgets are monitored on an ongoing basis, procedures have not been implemented to ensure that all departments comply with budget requirements. As such, the County over-expended monies in the general fund and the road funds.

Recommendation: We recommend that the County implement policies and procedures are such that budget requirements are enforced at all levels of the County's departments.

Management Views and Corrective Action: See corrective action plan.

C. Federal Award Findings

2013-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers: All major federal programs

Program Titles and

Federal Agencies: All major federal programs

Award Years: Various

Award Numbers: Various

Compliance Requirements Affected: Reporting

Questioned Costs: None

Condition: The County's single audit reporting package for the fiscal year ended June 30, 2013 was not submitted within nine months after the County's year-end. This finding is similar to one in prior years.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily a lack of resources to properly reconcile and adjust account balances.

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

Schedule of Findings and Questioned Costs - Continued

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the federal single audit clearinghouse.

Management Views and Corrective Action: See corrective action plan.

2013-102 - Allocation of Forest Reserve Funds

CFDA number: 10.665

Program Titles and

Federal Agencies: U.S. Department of Agriculture, Forest Service Schools and Roads Cluster

Award year: 2012

Award Number: None

Compliance Requirements Affected: Reporting

Questioned Costs: None

Condition: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$860,493 to public school districts. This finding is similar to one in prior years.

Criteria, Cause and Effect: Arizona Revised Statutes (A.R.S.) 11-497 requires counties' share of pass-through forest reserve monies from the United States to be disbursed for the benefit of public schools and public roads as the board of supervisors directs. Further, a county may allocate a disproportionate amount of forest reserve monies between public schools and public roads as long as both categories receive a real benefit. The Apache County Board of Supervisors decided that the public schools had a greater need for the monies. The County was not in compliance with A.R.S. 11-497.

Recommendations: We recommend that the County distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.

Management's Views and Corrective Action:

Apache County, Arizona
Summary Schedule of Prior Audit Findings
Year ended June 30, 2013

The following is the current status of prior year federal award findings:

2012-005 – Cash, Cash Equivalents and Investments Held by the Treasurer

CFDA number: Not applicable

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2013-001).

2012-006 Account Reconciliations

CFDA number: Not applicable

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2013-001).

2012-007 – Single Audit Report Submission

CFDA number: All

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2013-101).

2012-008 – Segregation of Duties

CFDA number: All

Program Titles and

Federal Agencies: All

Current year status: This finding was corrected.

2012-009 – Allocation of Forest Reserve Funds

CFDA number: All

Program Titles and

Federal Agencies: All

Current year status: This finding still exists (see current year finding 2013-102).

Summary Schedule of Prior Audit Findings - Continued

2012-010 – Capital Asset Inventory

CFDA number: All

Program Titles and

Federal Agencies: All

Current year status: This finding was corrected.

**Apache County, Arizona
Corrective Action Plan
Year ended June 30, 2013**

Financial Statement Findings:

2013-001 Improve the Oversight of the Financial Reporting Process

Contact Person: Marleita Begay and Ryan Patterson

Anticipated Completion Date: Fiscal Year Audit 2015

Prior to the fiscal year 2013 audit, Apache County has been consistent in applying the same process and procedure to record infrastructure, infrastructure improvements and capital acquisitions including the method of depreciation. However, during the course of the audit process, the manner in which we apply depreciation was modified in accordance with the auditor's recommendation. Apache County will continue to follow the auditor's recommendations.

Apache County continues to follow the cash basis method of accounting. Therefore, unrealized gains and/or losses are recorded at the financial statement level. Moving forward, we will continue to monitor our consultants and personnel charged with compiling the financial statements in order to verify unrealized gains and losses are recorded properly.

Several Apache County departments have historically maintained deposit accounts outside the parameters of the financial statements. In order to be completely transparent, these accounts have always been reported to our auditors with the corresponding bank statements and reconciliations. The funds associated with these accounts pertain to various state agencies and it is for this reason that these accounts have not been included on the financial statements. Although a large portion of these funds belong to other agencies, this is the first audit recommendation to include on our financial statements. We have adopted this recommendation and will comply with the auditor's request.

2013-002 Improve the Year-End Closing Procedures

Contact Person: Ryan Patterson

Anticipation Completion Date: Completed

Apache County has adopted this recommendation and has complied with the auditor's request.

2013-002 Improve Budgetary Controls

Contact Person: Ryan Patterson

Anticipation Completion Date: June 30, 2014

The majority of the departments over budget are elected officials'. The consequence on an elected official is not termination or discipline, as it could be with a department head. There is documented evidence to the contrary that the budget was not monitored. The only possible consequence for an Elected official that would have any meaning would be to reduce their budget the same as the County's would be reduced if we exceed our expenditure limit the subsequent year.

Corrective Action Plan - Continued

Financial Statement Findings - Continued:

This concept will be proposed for consideration during the next budget process. The Finance Director, in conjunction with the County Administrator, will advise and make recommendations to the Board of Supervisors as to the budgetary control options and alternatives available to control consistent over-expenditure of elected officials.

Single Audit Findings:

2013-101 Timeliness of Financial Reporting

Contact Person: Ryan Patterson

Anticipation Completion Date: Fiscal Year 2015

The County has added an additional position in order to manage work flow in order to be able to dedicate more time to financial reporting.

2013-102 Allocation of Forest Reserve Funds

Contact Person: Delwin Wengert

Anticipation Completion Date: TBD

The County's Board of Supervisors moving forward continues to maintain its stance that the money be sent to schools only and accepts Title I funds and request that the 15% to be allocated for Title II and III be sent back and used as at the discretion of the Federal Government.