

**Apache County, Arizona**  
**Single Audit Reporting Package**  

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**Year ended June 30, 2019**

**Apache County, Arizona**  
**Single Audit Reporting Package**  
**Year ended June 30, 2019**

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**Report Issued Separately**

Annual Financial Report

**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 auditing standards generally accepted 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 Apache County, Arizona (the County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 9, 2020. Our opinion on those financial statements was qualified for the Road Fund because we did not observe inventory reported in the Road Fund.

**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.

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 entity's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses which are listed as findings 2019-001 through 2019-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, the auditor 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items 2019-001 through 2019-003 in the accompanying schedule of findings and questioned costs.

### **County Responses to Findings**

The County's responses to the findings identified in our audit are presented on pages 19 through 20. 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.



Phoenix, Arizona  
July 9, 2020

**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  
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 *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, 2019. The County’s major federal programs are identified in the summary of audit 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 qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the County’s compliance.

### ***Basis for Qualified Opinion on the Schools and Roads – Grants to States Program***

As described in the accompanying schedule of findings and questions costs, the County did not provide funding for roads as required by the U.S. Department of Agriculture, Schools and Roads – Grants to States Program as described in finding 2019-102 with respect to the special tests and provisions. Compliance with this requirement is necessary in our opinion for the County to comply with the requirements applicable to this program.

### ***Qualified Opinion on the Schools and Roads – Grants to States Program***

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, 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 the Schools and Roads – Grants to States program for the year ended June 30, 2019.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

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 its other major federal programs identified in the summary of audit results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

### ***Other Matters***

The County's responses to the findings identified in our audit are presented on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-101 and 2019-102, that we consider to be material weaknesses.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

### **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, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 9, 2020, that contained unmodified opinions on those financial statements except for the Road Fund which is qualified.

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 auditing standards generally accepted in the United States of America. 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.

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.

*Walker & Armstrong, LLP*

Phoenix, Arizona  
July 9, 2020

**Apache County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2019**

**A. Summary of Audit Results**

**Financial Statements**

|   |  |           |
|---|--|-----------|
| Type of auditors' report issued:                          | Unmodified except for the<br>Road Fund which is<br>Qualified |           |
|   | <b>Yes</b>   | <b>No</b> |
| <b>Internal control over financial reporting:</b>         |  |           |
| Material weaknesses identified                            | X  |           |
| Significant deficiencies identified                       | None Reported  |           |
| Noncompliance material to the financial statements noted? | X  |           |

**Federal Awards**

**Internal control over major programs:**

|                                     |               |  |
|-------------------------------------|---------------|--|
| Material weaknesses identified      | X             |  |
| Significant deficiencies identified | None Reported |  |

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

| CFDA No.   | Name of Federal Program              |            |
|--|--------------------------------------|------------|
| 10.665   | Schools and Roads – Grants to States | Qualified  |
| 93.069   | Public Health Emergency Preparedness | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? |                                      | X          |

Identification of major programs:

| CFDA No.  | Name of Federal Program or Cluster   |            |
|---|--------------------------------------|------------|
| <i>Forest Service Schools and Roads Cluster:</i>                    |                                      |            |
| 10.665  | Schools and Roads – Grants to States |            |
| 93.069  | Public Health Emergency Preparedness |            |
| Dollar threshold used to distinguish between Type A and B programs: |                                      | \$ 750,000 |
| 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 2 CFR 200.511(b)? | X |  |
|---|---|--|

## Schedule of Findings and Questioned Costs - Continued

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### **B. Financial Statement Findings**

|                               |   |
|-------------------------------|---|
| <b>Finding 2019-001</b>       | <b>Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)</b>   |
| <b>Criteria:</b>              | Arizona Revised Statutes (A.R.S.) and Federal laws and regulations require counties to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year. |
| <b>Condition and Context:</b> | As noted in prior year's finding 2018-002, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, capital assets, unearned revenue, revenues and expenditures resulted from our audit.       |
| <b>Cause:</b>                 | While improved from prior years, the cause is a continued lack of resources and oversight devoted to the financial reporting process by the County's finance department.  |
| <b>Effect:</b>                | The effect is that the County did not meet its reporting obligations and County financial statement users did not have timely audited financial information necessary for decision making. Furthermore, the County has not complied with state statutes and federal regulations.  |
| <b>Recommendation:</b>        | We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.  |
| <b>County's Response:</b>     | The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.   |

## Schedule of Findings and Questioned Costs - Continued

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|                               |  |
|-------------------------------|--|
| <b>Finding 2019-002</b>       | <b>Improve Budgetary Controls (Repeat Finding) (Material Weakness)</b>   |
| <b>Criteria:</b>              | 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.   |
| <b>Condition and Context:</b> | <p>During 2019, there were twenty-nine (29) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2018-003.</p> <p>Overall the County appears to be under budget for all three major funds; general fund by \$3,705,476, road fund by \$1,518,508, and junior college fund by \$176,100. The County's budget reports a total contingency line item budgets of \$4,354,349 in which only \$706,107 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.</p> |
| <b>Cause:</b>                 | The cause is from a continued lack of resources dedicated towards the proper development, monitoring and enforcement of the annual budget.   |
| <b>Effect:</b>                | The effect is that the several departments are over-budget which violates state statute. In addition, the contingency line items is being incorrectly used.  |
| <b>Recommendation:</b>        | We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.   |
| <b>County's Response:</b>     | The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.  |

## Schedule of Findings and Questioned Costs - Continued

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|                               |  |
|-------------------------------|--|
| <b>Finding 2019-003</b>       | <b>Improve Grants Management (Repeat Finding) (Material Weakness)</b>  |
| <b>Criteria:</b>              | 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 special revenue fund level. In certain instances, transfers of appropriations between funds may be made upon the Board of Supervisors' approval.   |
| <b>Condition and Context:</b> | During 2019, there were eight (8) special revenue funds in which the budgetary line items were over-expended; one of which was over-expended by more than \$100,000. Sufficient procedures have not been implemented to monitor the County's special revenue funds and the initiation of transfers, as needed. The three largest over-expenditures were the immunization fund, community development block grant, and a sheriff fund causing each of these funds to have deficit balances. This finding is similar to prior year finding 2018-006. |
| <b>Cause:</b>                 | The cause is from a continued lack of resources dedicated towards the monitoring of expenditures in relation to available grant funding and the related budget of the special revenue funds.   |
| <b>Effect:</b>                | The effect is that the several special revenue funds are over-expended resulting in deficit balances.  |
| <b>Recommendation:</b>        | We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's special revenue funds. We also recommend that the County initiate the transfer process when a special revenue fund is over-expending to avoid deficit fund balances.   |
| <b>County's Response:</b>     | The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.  |

**Schedule of Findings and Questioned Costs - Continued**

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**C. Federal Award Finding**

|                                |  |
|--------------------------------|--|
| <b>Finding 2019-101</b>        | <b>Single Audit Reporting Package Not Filed Timely<br/>(Repeat Finding) (Material Weakness)</b>  |
| <b>CFDA Number:</b>            | 10.665 and 93.069  |
| <b>Cluster Title:</b>          | Forest Service Schools and Roads Cluster   |
| <b>Program Titles:</b>         | Schools and Roads – Grants to States; and<br>Public Health Emergency Preparedness  |
| <b>Federal Agency:</b>         | U.S. Department of Agriculture; and<br>U.S. Department of Health and Human Services  |
| <b>Award Year:</b>             | 2019   |
| <b>Award Number:</b>           | None   |
| <b>Compliance Requirement:</b> | Reporting  |
| <b>Question Costs:</b>         | None   |
| <b>Criteria:</b>               | 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.  |
| <b>Condition and context:</b>  | The County’s single audit reporting package for the fiscal year ended June 30, 2019, was not submitted to the Federal Audit Clearinghouse within nine months after the County’s year-end. This finding is similar to prior year finding 2018-101.  |
| <b>Cause:</b>                  | The cause was a continued lack of resources devoted to the accounting and year-end closing.  |
| <b>Effect:</b>                 | The effect is the untimely submission of the single audit reporting package resulting in noncompliance with federal requirements.  |
| <b>Recommendation:</b>         | 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 Audit Clearinghouse. |
| <b>County’s Response:</b>      | The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report.  |

## Schedule of Findings and Questioned Costs - Continued

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|                                 |  |
|---------------------------------|--|
| <b>Finding 2019-102</b>         | <b>Allocation of Forest Reserve Funds (Repeat Finding)<br/>(Material Weakness)</b>   |
| <b>CFDA Number:</b>             | 10.665   |
| <b>Cluster Title:</b>           | Forest Service Schools and Roads Cluster   |
| <b>Program Title:</b>           | Schools and Roads – Grants to States   |
| <b>Federal Agency:</b>          | U.S. Department of Agriculture   |
| <b>Award Year:</b>              | 2019   |
| <b>Award Number:</b>            | None   |
| <b>Compliance Requirements:</b> | Special Tests and Provisions   |
| <b>Question Costs:</b>          | None   |
| <b>Criteria:</b>                | Arizona Revised Statutes (A.R.S.) 11-497 requires that the counties’ share of pass-through forest reserve monies from the United States be disbursed for the benefit of public schools and public roads at the direction of the board of supervisors. 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. |
| <b>Condition and context:</b>   | 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 \$634,139 to public school districts. This finding is similar to prior year finding 2018-102.  |
| <b>Cause:</b>                   | The cause is that the Apache County Board of Supervisors decided that the County public schools had a greater need for funding than roads projects.  |
| <b>Effect:</b>                  | The effect is that the County did not expend a portion of the grant monies on public roads and therefore knowingly continued to violate state statute.   |
| <b>Recommendation:</b>          | We recommend that the County stop violating state statute and distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.  |
| <b>County’s Response:</b>       | The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report.  |

**Apache County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

| <b>Federal Grantor/Program Title/Pass-Through Grantor</b>                              | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b>                   | <b>Federal<br/>Expenditures</b> | <b>Amount<br/>Provided to<br/>Subrecipients</b> |
|--|------------------------------------|--|---------------------------------|---|
| <b><u>U.S. Department of Agriculture</u></b>   |                                    |  |                                 |   |
| <i>Passed through the Arizona Department of Health Services</i>                        |                                    |  |                                 |   |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561                             | ADHS16-106455  | \$ 69,227                       | \$ -  |
| Special Supplemental Nutrition Program for Women, Infants, and Children                | 10.557                             | ADHS14-053047  | 96,406                          | -   |
| <i>Passed through the Arizona Department of Forestry and Fire Management</i>           |                                    |  |                                 |   |
| Cooperative Forestry Assistance  | 10.664                             | 17-PA-11030104-006;<br>16DG-11031600-021;<br>16DG-11031600-024 | 82,053                          | -   |
| Forest Service Schools and Roads Cluster:  |                                    |  |                                 |   |
| Schools and Roads - Grants to States   | 10.665                             | N/A  | <u>634,139</u>                  | <u>634,139</u>                                  |
| Total Forest Service Schools and Roads Cluster   |                                    |  | <u>634,139</u>                  | <u>634,139</u>                                  |
| <i>Total U.S. Department of Agriculture</i>  |                                    |  | <b><u>881,825</u></b>           | <b><u>634,139</u></b>                           |
| <b><u>U.S. Department of Housing and Urban Development</u></b>                         |                                    |  |                                 |   |
| <i>Passed through the Arizona Department of Housing</i>                                |                                    |  |                                 |   |
| Community Development Block Grant  | 14.228                             | 138-17   | <u>5,995</u>                    | -   |
| <i>Total U.S. Department of Housing and Urban Development</i>                          |                                    |  | <b><u>5,995</u></b>             | -   |
| <b><u>U.S. Department of Justice</u></b>   |                                    |  |                                 |   |
| <i>Passed through the Arizona Department of Public Safety</i>                          |                                    |  |                                 |   |
| Crime Victim Assistance  | 16.575                             | DPS No 2018-224;<br>FED 2016-VA-GX-0046                        | 67,806                          | -   |
| State Criminal Alien Assistance Program  | 16.606                             | N/A  | 7,082                           | -   |
| <i>Passed through the Arizona Criminal Justice Commission</i>                          |                                    |  |                                 |   |
| Edward Byrne Memorial Justice Assistance Grant Program                                 | 16.738                             | DC-18-020  | 28,309                          | -   |
| Edward Byrne Memorial Justice Assistance Grant Program                                 | 16.738                             | DC-18-001  | <u>75,690</u>                   | -   |
| Total for CFDA No. 16.738  |                                    |  | <u>103,999</u>                  | -   |
| <i>Total U.S. Department of Justice</i>  |                                    |  | <b><u>178,887</u></b>           | -   |
| <b><u>U.S. Department of Transportation</u></b>  |                                    |  |                                 |   |
| <i>Passed through the Governor's Office of Highway Safety</i>                          |                                    |  |                                 |   |
| Highway Safety Cluster:  |                                    |  |                                 |   |
| State and Community Highway Safety   | 20.600                             | 2018-PTS-001   | <u>5,284</u>                    | -   |
| <i>Total U.S. Department of Transportation</i>   |                                    |  | <b><u>5,284</u></b>             | -   |

The accompanying notes are an integral part of this schedule.

Apache County, Arizona  
Schedule of Expenditures of Federal Awards - Continued  
For the Year Ended June 30, 2019

| Federal Grantor/Program Title/Pass-Through Grantor   | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>Expenditures    | Amount<br>Provided to<br>Subrecipients |
|--|---------------------------|-------------------------------------|----------------------------|--|
| <b><u>U.S. Department of Health and Human Services</u></b>   |                           |                                     |                            |  |
| <i>Passed through the Arizona Department of Health Services</i>  |                           |                                     |                            |  |
| Public Health Emergency Preparedness   | 93.069                    | ADHS17-133163                       | \$ 199,078                 | \$ -                                   |
| PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds | 93.539                    | ADHS13-039571                       | 56,931                     | -                                      |
| <i>Passed through the Arizona Department of Health Services</i>  |                           |                                     |                            |  |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants  | 93.977                    | ADHS14-071557                       | 7,729                      | -                                      |
| Maternal and Child Health Services Block Grant to the States   | 93.994                    | ADHS13-034072                       | 22,060                     | -                                      |
| Maternal and Child Health Services Block Grant to the States   | 93.994                    | ADHS15-094274                       | 88,238                     | -                                      |
| Total for CFDA No. 93.994  |                           |                                     | <u>110,298</u>             | -                                      |
| <i>Total U.S. Department of Health and Human Services</i>  |                           |                                     | <u><b>374,036</b></u>      | -                                      |
| <b><u>U.S. Department of Homeland Security</u></b>   |                           |                                     |                            |  |
| <i>Passed through the Arizona Department of Emergency and Military Affairs</i>   |                           |                                     |                            |  |
| Emergency Management Performance Grants  | 97.042                    | EMF-2017-EP-00008-SO1               | 115,382                    | -                                      |
| <i>Total U.S. Department of Homeland Security</i>  |                           |                                     | <u><b>115,382</b></u>      | -                                      |
| Total expenditures of federal awards   |                           |                                     | <u><b>\$ 1,561,409</b></u> | <u><b>\$ 634,139</b></u>               |

The accompanying notes are an integral part of this schedule.

**Apache County, Arizona**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

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**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Apache County, Arizona for the year ended June 30, 2019. 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) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 *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.



RYAN PATTERSON  
COUNTY MANAGER/CLERK OF THE BOARD  
ST. JOHNS, AZ 85936

## BOARD OF SUPERVISORS OF APACHE COUNTY

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DISTRICT II  
P.O. Box 994, Ganado, AZ 86505

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MEMBER OF THE BOARD  
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### Corrective Action Plan Year ended June 30, 2019

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 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.

#### **Financial Statement Findings:**

##### **Finding 2019-001 – Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)**

**Condition and Context:** As noted in prior year's finding 2018-002, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, capital assets, unearned revenue, revenues and expenditures resulted from our audit.

**Recommendation:** We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.

**Contact Name:** Timothy Hinton, Finance Director

**Corrective Action Planned:** Additional resources have been devoted to the financial reporting and audit process.

**Anticipated Completion Date:** September 2020

## Corrective Action Plan - Continued

### **Finding 2019-002 – Improve Budgetary Controls (Repeat Finding) (Material Weakness)**

**Condition and Context:** During 2019, there were twenty-nine (29) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2018-003.

Overall the County appears to be under budget for all three major funds; general fund by \$3,705,476, road fund by \$1,518,508, and junior college fund by \$176,100. The County's budget reports a total contingency line item budgets of \$4,354,349 in which only \$706,107 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.

**Recommendation:** We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.

**Contact Name:** Timothy Hinton, Finance Director

**Corrective Action Planned:** Additional procedures have been implemented to ensure budget capacity before issuing payment.

**Anticipated Completion Date:** July 2020

### **Finding 2019-003 - Improve Grants Management (Repeat Finding) (Material Weakness)**

**Condition and Context:** During 2019, there were eight (8) special revenue funds in which the budgetary line items were over-expended; one of which was over-expended by more than \$100,000. Sufficient procedures have not been implemented to monitor the County's special revenue funds and the initiation of transfers, as needed. The three largest over-expenditures were the immunization fund, community development block grant, and a sheriff fund causing each of these funds to have deficit balances. This finding is similar to prior year finding 2018-006.

**Recommendation:** We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's special revenue funds. We also recommend that the County initiate the transfer process when a special revenue fund is over-expending to avoid deficit fund balances.

**Contact Name:** Timothy Hinton, Finance Director

**Corrective Action Planned:** Additional procedures will be implemented so that budget requirements are enforced.

**Anticipated Completion Date:** July 2020

**Corrective Action Plan - Continued**

**Federal Award Findings:**

**Finding 2019-101 – Single Audit Reporting Package Not Filed Timely (Repeat Finding)  
(Material Weakness)**

**CFDA Numbers:** 10.665 and 93.069  
**Program Titles:** Schools and Roads – Grants to States; and  
Public Health Emergency Preparedness  
**Federal Agency:** U.S. Department of Agriculture; and  
U.S. Department of Health and Human Services  
**Award Year:** 2019  
**Award Number:** None  
**Compliance Requirement:** Reporting

**Condition and context:** The County’s single audit reporting package for the fiscal year ended June 30, 2019, was not submitted to the Federal Audit Clearinghouse within nine months after the County’s year-end. This finding is similar to prior year finding 2018-101.

**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 Audit Clearinghouse.

**Contact Name:** Timothy Hinton, Finance Director

**Corrective Action Planned:** Additional policies and procedures have been implemented to facilitate and improve the financial reporting process.

**Anticipated Completion Date:** July 2020

## Corrective Action Plan - Continued

### Finding 2019-102 - Allocation of Forest Reserve Funds (Repeat Finding) (Material Weakness)

**CFDA Number:** 10.665  
**Program Title:** Schools and Roads – Grants to States  
**Federal Agency:** U.S. Department of Agriculture  
**Award Year:** 2019  
**Award Number:** None  
**Compliance Requirement:** Special Tests and Provisions

**Condition and context:** 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 \$634,139 to public school districts. This finding is similar to prior year finding 2018-102.

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

**Contact Name:** Timothy Hinton, Finance Director

**Corrective Action Planned:** The County finance director will review the needs the County’s roads and schools and make a recommendation to the board on an appropriate allocation of the forest reserve funds.

**Anticipated Completion Date:** TBD



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**Summary Schedule of Prior Audit Findings  
Year ended June 30, 2019**

The Auditor General of the State of Arizona

We have prepared the following 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.

**Status of Financial Statement Findings**

**Finding 2018-001      Treasurer's Cash Was Not Properly Reconciled and Reported  
(Material Weakness)**

**Criteria:** As set forth in the Uniform Accounting Manual for Arizona County Treasurers (UAMACT), A.R.S. §11-493 requires Arizona County Treasurer's to keep an account of receipts and disbursements in the accounting records, including detailed subsidiary ledgers for each entity. Furthermore, U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UAMAC) requires the proper reporting of amounts held by the County Treasurer's investment pool between internal and external participants and agency funds.

**Status:**                      **Fully corrected**

## Summary Schedule of Prior Audit Findings - Continued

|                         |   |
|-------------------------|---|
| <b>Finding 2018-002</b> | <b>Untimely Account Reconciliation and Financial Statement Preparation (Material Weakness)</b>  |
| <b>Criteria:</b>        | Counties are required by Arizona Revised Statutes (A.R.S.) and Federal laws and regulations to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year.   |
| <b>Status:</b>          | Not corrected, see finding 2019-001   |
| <b>Finding 2018-003</b> | <b>Improve Budgetary Controls (Material Weakness)</b>   |
| <b>Criteria:</b>        | 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.  |
| <b>Status:</b>          | Not corrected, see finding 2019-002   |
| <b>Finding 2018-004</b> | <b>Bank Accounts Not Properly Reconciled and Recorded (Material Weakness)</b>   |
| <b>Criteria:</b>        | Section VI-C-1 of the Uniform Accounting Manual for Arizona Counties (UAMAC) requires monthly account reconciliations for all County bank accounts. The UAMAC establishes detailed procedures for accounting for reconciling items.   |
| <b>Status:</b>          | Corrected   |
| <b>Finding 2018-005</b> | <b>Credit Card Usage and Documentation (Material Weakness)</b>  |
| <b>Criteria:</b>        | Section 6.3 of the County's policies and procedures titled "Use of County Gas/Miscellaneous Cards" states that credit cards issued to department heads, elected officials and other county employees shall only be used for official County travel expenses. These policies and procedures for County credit card purchases were created to reduce its risk of fraud, waste, and abuse and to help ensure that the public monies it spends are for an authorized County purpose in accordance with A.R.S. §35-301 and the Arizona Constitution, Article IX, Section 7 |
| <b>Status:</b>          | Corrected   |

## Summary Schedule of Prior Audit Findings - Continued

### **Finding 2018-006      Improve Grants Management (Material Weakness)**

**Criteria:** 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 special revenue fund level. In certain instances, transfers of appropriations between funds may be made upon the Board of Supervisors' approval.

**Status:** Not corrected, see finding 2019-003

### **Status of Federal Award Findings and Questioned Costs**

### **Finding 2018-101      Single Audit Reporting Package Not Filed Timely (Material Weakness)**

**CFDA Number:** 10.665

**Cluster Title:** Forest Service Schools and Roads Cluster

**Program Title:** Schools and Roads – Grants to States

**Condition and**

**Context:**

The County's single audit reporting package for the fiscal year ended June 30, 2018, was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end.

**Status:** Not Corrected; see finding 2019-101

### **Finding 2018-102      Allocation of Forest Reserve Funds (Material Weakness)**

**CFDA Number:** 10.665

**Program Title:** Forest Service Schools and Roads Cluster

**Condition and**

**Context:**

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 \$780,522 to public school districts.

**Status:** Not Corrected; see finding 2019-102