



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Coconino County

Year Ended June 30, 2015

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**Debra K. Davenport**  
Auditor General

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



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Coconino County  
Single Audit Reporting Package  
Year Ended June 30, 2015

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Reports Issued Separately

Comprehensive Annual Financial Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Coconino County, Arizona

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

We have audited Coconino 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, 2015. 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, Coconino 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, 2015.

## ***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 2015-101, 2015-102, 2015-103, 2015-104, and 2015-105. Our opinion on each major federal program is not modified with respect to these matters.

Coconino County's responses to the noncompliance findings identified in our audit are presented on pages 21 through 25. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

## **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101, 2015-103, 2015-104, and 2015-105 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-102 and 2015-106 to be significant deficiencies.

Coconino County's responses to the internal control over compliance findings identified in our audit are presented on pages 21 through 25. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Coconino County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 23, 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, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA  
Financial Audit Director

March 25, 2016

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**Coconino County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
<b>Department of Agriculture</b>						
10 167	Transportation Services		Bureau of Indian Affairs, Navajo Regional Office	A12AC01067; A14AC00016	\$ 230,980	
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	13,118	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	27,172	
	<i>Total Child Nutrition Cluster</i>				<u>40,290</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053061	651,361	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Community Action Association	None	31,293	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030674	444,296	
	<i>Total SNAP Cluster</i>				<u>475,589</u>	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010891:4	10,643	
10 572	WIC Farmers' Market Nutrition Program (FMNP)		Arizona Department of Health Services	ADHS14-053061	859	
10 576	Senior Farmers' Market Nutrition Program		Arizona Department of Health Services	ADHS12-010891:4	55	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			1,634,353	
10 923	ARRA—Emergency Watershed Protection Program				3,079,343	
10 Unknown	Flagstaff Watershed Protection Project, Landline Survey				78,478	
	<b>Total Department of Agriculture</b>				<u>6,201,951</u>	
<b>Department of Housing and Urban Development</b>						
14 218	Community Development Block Grants/Entitlement Grants	Community Development Block Grants/Entitlement Grants Cluster	City of Flagstaff	88C-11; 88C-12	9,617	
<b>Department of the Interior</b>						
15 226	Payments in Lieu of Taxes				1,571,671	
15 631	Partners for Fish and Wildlife				3,203	
	<b>Total Department of the Interior</b>				<u>1,574,874</u>	
<b>Department of Justice</b>						
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families	JB-CSG-13-3365-03; JB-CSG-14-4365-02	14,999	
16 554	National Criminal History Improvement Program (NCHIP)		Arizona Criminal Justice Commission	NCP13-14-003; NCP13-14-002	51,967	
16 593	Residential Substance Abuse Treatment for State Prisoners		Arizona Criminal Justice Commission	RSAT-14-002; RSAT-15-002	105,365	
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	DC-15-022	54,395	
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	City of Flagstaff	2013-H4148-AZ-DJ; 2014-DJ-BX-1198	12,731	
	<i>Total JAG Program Cluster</i>				<u>67,126</u>	
16 812	Second Chance Act Reentry Initiative				76,185	21,382
	<b>Total Department of Justice</b>				<u>315,642</u>	<u>21,382</u>

See accompanying notes to schedule.

**Coconino County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
<b>Department of Labor</b>						
17 258	WIA/WIOA Adult Program	WIA Cluster	Arizona Department of Economic Security	ADES14-056353	182,510	
17 259	WIA/WIOA Youth Activities	WIA Cluster	Arizona Department of Economic Security	ADES14-056353	268,358	
17 278	WIA/WIOA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	ADES14-056353	559,323	
	<i>Total WIA Cluster</i>				<u>1,010,191</u>	
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	ADES14-056356	4,417	
	<b>Total Department of Labor</b>				<u>1,014,608</u>	
<b>Department of Transportation</b>						
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	13-0009391-I; JPA 14-0003967-I; JPA 10-184I; JPA-12-112I	1,553,345	
20 219	Recreational Trails Program	Highway Planning and Construction Cluster	Arizona State Parks	471304, 471332	35,058	
	<i>Total Highway Planning and Construction Cluster</i>				<u>1,588,403</u>	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-OP-015; 2015-OP-014	6,837	
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Emergency Response Commission	HM-HMP-0454-14-01-00	6,129	
	<b>Total Department of Transportation</b>				<u>1,601,369</u>	
<b>Environmental Protection Agency</b>						
66 818	ARRA—Brownfields Assessment and Cleanup Cooperative Agreements		City of Flagstaff	BF 00T97401	31,851	
<b>Department of Education</b>						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	KR15 0066	26,337	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	15FESCBG-56059409A; 15FESCBG-56059455B; 15FESLEC-570669-62B	34,629	
84 041	Impact Aid				176,969	
84 184	Safe and Drug-Free Schools and Communities—National Programs		Arizona Department of Education	15-07-EDSG	2,119	
84 365	English Language Acquisition State Grants		Arizona Department of Education	14FELENG-470669-66A; 15FELENG-570669-66A	33,442	
84 366	Mathematics and Science Partnerships		Arizona Department of Education	14FMSMP2-470669-02A; 14FMSMSP-470669-01A; 14FMSMSP-470669-04A; 13FMSMMS-370669-02A; 14FMSHSM-470669-05A	1,071,878	

See accompanying notes to schedule.

**Coconino County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
84 367	Improving Teacher Quality State Grants		Northern Arizona University	ITQ015-05 NAU; ITQ015-04 NAU	28,300	
84 413	Race to the Top		Navajo County Education Service Agency	None	78,699	
<b>Total Department of Education</b>					<u>1,452,373</u>	
<b>Department of Health and Human Services</b>						
93 008	Medical Reserve Corps Small Grant Program		National Association of County and City Health Officials	MRC15-1287	1,245	
93 053	Nutrition Services Incentive Program	Aging Cluster	Northern Arizona Council of Governments	866000441BA	177,901	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007885:3	238,414	
93 217	Family Planning—Services		Arizona Family Planning Council dba Arizona Family Health Partnership	None	101,053	
93 243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance		Arizona Criminal Justice Commission	SAP-15-005	5,989	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041537	146,992	
93 283	Centers for Disease Control and Prevention—Investigations and Technical Assistance		Arizona Department of Health Services	ADHS13-042341	2,301	
93 558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	DE111076001	50,000	
93 563	Child Support Enforcement		Arizona Department of Economic Security	DE111169001	28,658	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	DE111076001	339,348	
93 569	Community Services Block Grant		Arizona Department of Economic Security	DE111076001	91,032	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111144001	9,295	
93 602	Assets for Independence Demonstration Program		Mesa Community Action Network, Inc	90-EI-0641	8,000	
93 667	Social Services Block Grant		Northern Arizona Council of Governments	866000441BA	8,952	
93 667	Social Services Block Grant		Arizona Department of Economic Security	DE111076001	8,892	
<i>Total 93.667</i>					<u>17,844</u>	
93 734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by Prevention and Public Health Funds (PPHF)		Arizona Living Well Institute	None	63	
93 758	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS14-063022	14,995	
93 917	HIV Care Formula Grants		Arizona Department of Health Services	ADHS13-040497	212,095	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-031238, Amendment 1	18,243	

See accompanying notes to schedule.

**Coconino County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-065458	6,113	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071555	15,907	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	ADHS12-020642	4,910	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034535; ADHS14-058987:2; ADHS12-021253; ADHS12-010919	343,177	
<b>Total Department of Health and Human Services</b>					<u>1,833,575</u>	
<b>Department of Homeland Security</b>						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2014-EP-000016	154,007	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130101-03; 130101-01; 140101-01; 140101-02	64,787	
<b>Total Department of Homeland Security</b>					<u>218,794</u>	
<b>Total expenditures of federal awards</b>					<u>\$ 14,254,654</u>	<u>\$ 21,382</u>

See accompanying notes to schedule.

Coconino County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Coconino County's federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *2015 Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program and when there was no federal contract number, the two-digit federal agency identifier and the word "Unknown" were used.

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Coconino County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:		Unmodified	
Internal control over financial reporting:			
Material weaknesses identified?	<u>X</u>	___	
Significant deficiencies identified?	<u>X</u>	___	
Noncompliance material to the financial statements noted?	___	<u>X</u>	

***Federal Awards***

Internal control over major programs:			
Material weaknesses identified?	<u>X</u>	___	
Significant deficiencies identified?	<u>X</u>	___	
Type of auditors' report issued on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.923	ARRA—Emergency Watershed Protection Program
15.226	Payments in Lieu of Taxes
16.593	Residential Substance Abuse Treatment for State Prisoners Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
93.053	Nutrition Services Incentive Program
93.568	Low-Income Home Energy Assistance
93.994	Maternal and Child Health Services Block Grant to the States
97.042	Emergency Management Performance Grants

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs: \$427,640

Auditee qualified as low-risk auditee?

Yes	No
_____	_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_	_____
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Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

## Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

## Federal Award Findings and Questioned Costs

### 2015-101

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<b>Cluster Name</b>	<b>SNAP Cluster</b>
<b>CFDA No. and Name:</b>	10.561 <b>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>
<b>Award Numbers and Years:</b>	ADHS 12-030674, October 1, 2013 through September 30, 2014; October 1, 2014 through September 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Pass-Through Grantors:</b>	Arizona Department of Health Services; Arizona Community Action Association
<b>Compliance Requirements:</b>	Allowable Costs/Cost Principles, Cash Management, and Matching
<b>Questioned Costs:</b>	\$16,335

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Criteria: In accordance with 2 Code of Federal Regulations (CFR) §225, Appendix C, a cost allocation plan is designated for a specific time frame, and the indirect costs charged to federal programs should be based on the cost allocation plan in effect during the fiscal year. Additionally, in accordance with 2 CFR §225, Appendix A, to be allowable under federal awards, costs must be adequately documented; and direct costs are those that can be identified specifically with a particular final cost objective, such as a federal award. Also, costs must be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost. Further, based on the pass-through grantors' grant agreement, program costs must be paid from county monies before reimbursement is requested. Lastly, per the grant agreement with the Arizona Community Action Association, the County will be reimbursed 40 percent of allowable expenditures incurred by the Community Services Department for administering the Supplemental Nutrition Assistance Program (SNAP).

Condition and context: The SNAP was administered by the County's Public Health Services District (Health Department) and Community Services Department, and these departments did not always comply with the program's allowable costs/cost principles, cash management, and matching requirements, specifically:

- The County prepares a central service cost allocation plan annually, and departments may use this plan to charge indirect costs on federal awards. During the fiscal year, the County's Health Department used the prior year's plan to charge indirect costs and was reimbursed \$6,862 in excess of the amount allowed by the current year's plan.

Coconino County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

- The Community Services Department charged the SNAP for direct costs of \$1,893 for copying and printing materials and Internet and telephone usage. However, the associated costs were not adequately documented as they were charged based on budgeted amounts. In addition, the Department improperly charged them as direct costs since they could not be identified specifically with its administration of the SNAP.
- The Community Services Department charged direct costs of \$7,580 for building space and utilities and charged indirect costs based on the County’s plan, which captures building depreciation. As a result, building costs were charged to the SNAP as both direct and indirect costs.

Effect: The County was reimbursed for unallowable costs of \$16,335. The Community Services Department did not meet the matching requirement since it included these unallowable costs when reporting its program costs; therefore, the Department was reimbursed for more than 40 percent of allowable expenditures. It was not practical to extend our auditing procedures sufficiently to determine any additional questioned costs that may have resulted from this finding. This finding has the potential to affect other federal programs the County administered.

Cause: The County prepared its fiscal year 2015 central service cost allocation plan in March 2014; however, the Health Department did not become aware of the updated plan until January 2016. Further, the Community Services Department did not have adequate procedures in place to ensure all costs charged to the program and claimed for reimbursement were for allowable costs or were adequately documented in compliance with federal cost principles.

Recommendation: To help ensure that the County complies with 2 CFR §225 and the grant agreement, the Health Department should apply the indirect cost rate based on the central service cost allocation plan in effect during the fiscal year. In addition, the Community Services Department should improve its procedures to ensure all program costs charged to the program and claimed for reimbursement are for allowable costs and adequately supported in accordance with federal cost principles.

**2015-102**

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<b>Cluster Name</b>	<b>Aging Cluster</b>
<b>CFDA No. and Name:</b>	93.053 <b>Nutrition Services Incentive Program</b>
<b>Award Number and Year:</b>	866000441BA, July 1, 2014 through June 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Northern Arizona Council of Governments
<b>Compliance Requirements:</b>	Cash Management, Matching, and Reporting
<b>Questioned Costs:</b>	Unknown

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Criteria: The Coconino County Community Services Department (Department) has a fixed unit rate contract (i.e., one unit equals one meal) with the Northern Arizona Council of Governments (NACOG) for its Nutrition Services Incentive Program (NSIP). The Department is required to count and report on a monthly basis the

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

number of meals served to eligible participants in the previous month to request payment for its home delivered and congregate meal program. In addition, the Department is required to provide an additional 10 percent of the meals served, which is considered a match. In accordance with chapter 3200 of the *State of Arizona Division of Aging and Adult Services Policy and Procedures Manual*, an eligible meal may be counted as a congregate meal if it is served to one of the following individuals:

- Persons age 60 or older and their spouse, regardless of age.
- Disabled persons under age 60 who live at a facility where congregate meals are served.
- Disabled persons who reside at home and accompany an elderly participant to the site.
- Volunteers under age 60 who provide services during the meal hour(s).

In addition, sign-in sheets listing congregate meal participants with their signatures must be maintained to support the participant's eligibility.

Condition and context: During our audit, we determined that all participants, including staff, were included in the congregate meal count each day and the Department did not consider the participant's eligibility when counting and reporting meals served. Further, participants and/or eligibility criteria were not adequately documented on the congregate meal sign-in sheet. In addition, 6.45 percent of congregate meals reported (i.e., 1,222 of 18,959) in the first three quarters of fiscal year 2015 were for participants who did not meet any of the congregate meal eligibility requirements; therefore, internal controls were not effective to ensure compliance with the program's cash management, matching, and reporting requirements.

Effect: The pass-through grantor may be relying on inaccurate meal count data when evaluating the level of service the Department has provided. In addition, the Department may not meet the 10 percent matching requirement or may be paid for meals that are not eligible. It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding.

Cause: The Department did not have adequate policies and procedures to accurately report congregate meal counts.

Recommendation: The Department should establish and implement policies and procedures to help ensure compliance with cash management, matching, and reporting requirements. Specifically, the Department should ensure that only eligible participants are included in the monthly reimbursement reports and the sign-in sheets contain sufficient information to support the participant's eligibility.

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**2015-103**

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<b>Cluster Name</b>	<b>Aging Cluster</b>
<b>CFDA No. and Name:</b>	93.053 <b>Nutrition Services Incentive Program</b>
<b>Award Number and Year:</b>	866000441BA, July 1, 2014 through June 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Northern Arizona Council of Governments
<b>Compliance Requirement:</b>	Program Income
<b>Questioned Costs:</b>	Unknown

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Criteria: The County's Community Services Department (Department) is a service provider who provides meals to participants at congregate sites and through home delivery services. In accordance with 45 Code of Federal Regulations (CFR) §1321.67, the Department shall provide participants with an opportunity to contribute toward the cost of the meal, have procedures to safeguard and account for all voluntary contributions, and use those contributions to expand nutrition services. Further, in accordance with 45 CFR §92.20(b)(2), subgrantees must maintain records that adequately identify the source and application of the funds provided for financially-assisted activities. Also, in accordance with OMB Circular A-133 §.205(a), the basis of determining federal awards to be reported on the Schedule of Expenditures of Federal Awards (SEFA) includes the receipt or use of program income.

Condition and context: The Department maintained monthly donation records related to fiscal year 2015 that identified \$39,468 in contributions collected at congregate sites and during the distribution of home delivered meals. However, the Department commingled other county monies into the Nutrition Services Incentive Program (NSIP) fund that were unrelated to the purpose of the program; therefore, we were unable to verify that contributions of \$7,548 were used to expand nutrition services. Additionally, the program income amount of \$39,468 was not included in the NSIP expenditures reported on the SEFA.

Effect: Voluntary contributions to the nutrition services program may not have been used to expand the program. In addition, the program's expenditures on the SEFA were initially understated by \$39,468; however, the County adjusted the SEFA for the error. It was not practical to extend our auditing procedures to determine questioned costs that may have resulted from this finding.

Cause: A temporary employee was assigned responsibility for depositing the contributions, and there were not adequate controls in place to ensure that all contributions were recorded in the accounting records and used to expand the nutrition services program. The program income was not included on the SEFA because of an oversight.

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Recommendation: The Department should establish and implement policies and procedures to help ensure that voluntary contributions are properly recorded in the accounting records and used to expand nutrition services. In addition, the County should update its established policies and procedures to ensure that all activity that pertains to a federal award is included on the SEFA.

**2015-104**

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<b>CFDA No. and Name:</b>	97.042 <b>Emergency Management Performance Grants</b>
<b>Award Number and Year:</b>	EMW-2014-EP-00016, July 1, 2014 through June 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Homeland Security</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Emergency & Military Affairs
<b>Compliance Requirement:</b>	Allowable Costs/Cost Principles
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 2 Code of Federal Regulations (CFR) §225, Appendix B, 8.h(3), where employees work solely on a single federal program, the County should ensure that employee payroll costs charged to the federal program are supported by periodic certifications that certify the employee worked solely on that program during the period. In addition, these certifications should be prepared at least semiannually and should be signed by the employee or supervisory official having first-hand knowledge of the employee's work.

Condition and context: During the fiscal year, the County was reimbursed \$114,758 in salaries and wages for employees working on the Emergency Management Performance Grants program. Salaries and wages were charged to the program using a budgeted distribution percentage set in the payroll system. While county employees charging to the grant prepared a time sheet each pay period, the time sheets were not detailed enough to certify the employee worked solely on the program, and no periodic certifications were prepared. However, these employees' activities were allowable under the grant.

Effect: Since the County did not prepare the required payroll certifications, it did not comply with the program's allowable costs/cost principles requirements. This finding has the potential to affect other federal programs the County administers.

Cause: The County did not have county-wide policies and procedures for certifying or confirming employees' time and effort spent on federal programs.

Recommendation: The County should establish and implement county-wide policies and procedures that provide reasonable assurance that the charges for salaries and wages are accurate, allowable, and properly allocated. In addition, salaries and wages charged to the federal program using budget estimates should be reviewed after-the-fact to ensure they reflect the actual hours worked.

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**2015-105**

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<b>CFDA No. and Name:</b>	97.042 <b>Emergency Management Performance Grants</b>
<b>Award Number and Year:</b>	EMW-2014-EP-00016, July 1, 2014 through June 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Homeland Security</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Emergency & Military Affairs
<b>Compliance Requirement:</b>	Procurement and Suspension and Debarment
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 44 Code of Federal Regulations (CFR) §13.36(b)(9), the County should maintain records sufficient to detail the significant history of the procurement showing the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Additionally, as required by 44 CFR §13.35, 2 CFR §180.220, and 2 CFR §180.300, the County must not enter into a procurement transaction that is expected to exceed \$25,000 with any party that has been suspended or debarred or otherwise excluded from participating in federal programs.

Condition and context: The County did not follow its policies and procedures when making purchases to help ensure that they were competitive and advantageous, and it did not check whether or not the vendor used was suspended or debarred or otherwise excluded from participating in the federal program. Specifically, auditors noted the following:

- The County paid \$8,000 to renew contingency planning services originally procured in 2008; however, it did not maintain documentation evidencing the purchase was competitively procured.
- The County entered into an emergency procurement for \$42,000 to be paid in part with federal monies; however, the County did not verify that the vendor was not suspended or debarred, or otherwise excluded from participating in the federal program.

Effect: The County could potentially enter into a contract that is not the most advantageous to the federal programs it administers and could potentially purchase goods and services from parties that are suspended or debarred. Auditors determined that the vendor was not excluded or debarred from doing business with the federal government. However, it was not practical to extend auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding has the potential to affect other federal programs the County administered.

Cause: The County disposed of the procurement file for contingency planning services because it believed the records retention period had expired. Further, the County does not have a policy to collect a suspension and debarment certification from the vendor when a formal solicitation is not used.

Recommendation: To help ensure that it obtains the most advantageous price for goods or services purchased with federal monies and does not do business with parties that are suspended or debarred, the County should:

Coconino County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

- Develop and implement policies and procedures to require that documentation is maintained that evidences that purchases were made through the required competitive process.
- Verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this verification. This verification may be accomplished by checking the Excluded Parties List System maintained by the U.S. General Services Administration, obtaining vendor certifications, or adding clauses or conditions to the contract.

**2015-106**

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<b>CFDA No. and Name:</b>	97.042 <b>Emergency Management Performance Grants</b>
<b>Award Number and Year:</b>	EMW-2014-EP-00016, July 1, 2014 through June 30, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Homeland Security</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Emergency & Military Affairs
<b>Compliance Requirement:</b>	Reporting
<b>Questioned Costs:</b>	None

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Criteria: In accordance with 44 Code of Federal Regulations (CFR) §13.20(b), fiscal control and accounting procedures of the County's Emergency Management Department (Department) should be sufficient to report accurate, current, and complete financial results of its Emergency Management Performance Grants program.

Condition and context: The County is required to submit quarterly financial reports to its pass-through grantor of the eligible costs that were incurred; however, the Department's internal controls did not ensure that eligible costs of \$17,785 were included in its first quarter report, and it inappropriately included prior period payroll costs of \$6,485. The pass-through grantor used the reports to reimburse the County for 50 percent of eligible program costs.

Effect: The County did not receive reimbursement for a net of \$5,650 and is unable to recover the revenue as the grant award year has since been closed-out.

Cause: The final review of the reimbursement request was ineffective as it did not ensure the report was accurate.

Recommendation: The Department had procedures in place to complete a final review of reimbursement request packets, which includes the billing and invoices; however, the Department should improve procedures to help ensure that financial results are accurate, current, and complete.

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**COCONINO**  
**COUNTY ARIZONA**  
**FINANCE**

Bonny Lynn  
CFO/Director

March 25, 2016

Heidi Derryberry  
Accounting  
Operations and  
Special Districts  
Manager

Jerri Garcia  
Financial Systems  
Manager

Tom Johnson  
Financial Reporting  
and Audit Manager

Scott Richardson  
Purchasing Manager

Megan Zickerman  
Budget and Financial  
Planning Manager

Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> St., Ste. 410  
Phoenix, AZ 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 U.S. Office of Management and Budget Circular A-133. Specifically, for each federal award finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

219 E. Cherry Ave.  
Flagstaff, AZ 86001  
928-679-7199

Bonny Lynn  
Chief Fiscal Officer

## Federal Award Findings and Questioned Costs

### 2015-101

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**Cluster Name:** SNAP Cluster

**CFDA No. and Name:** 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

**Responsible Persons:** Theresa Kulpinski, Program Manager II, Public Health Services District; Denise Burley, Division Manager, Public Health Services District; Barbara Frakes, Administrative Manager, Community Services; Norma Gallegos, Assistant Director, Community Services; Janet K. Regner, Director, Community Services.

**Anticipated completion date:** June 30, 2016

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#### **Corrective Action Plan – Public Health Services District:**

Coconino County concurs with the recommendation to apply the indirect cost rate from the cost allocation plan in effect during the fiscal year. The Public Health Services District has created a departmental procedure to verify the correct indirect rate is applied to programs, and the department has already taken action to apply the correct rate in the current fiscal year.

#### **Corrective Action Plan – Community Services:**

Coconino County concurs with the recommendations and will improve procedures to ensure all program costs charged to the program and claimed for reimbursement for allowable costs and adequately supported in accordance with federal cost principles.

Coconino County Community Services has reviewed the 2 Code of Federal Regulations (CFR) §225, Appendix C, the cost allocation plan designated for a specific time frame and the indirect costs charged on a federal award. Coconino County Community Services has modified its internal record keeping system to ensure that costs will be adequately documented. Coconino County Community Services has modified its process to document only allowable costs with adequate support in accordance with federal cost principles.

Coconino County Community Services will maintain adequate support for allowable costs charged to the program and claimed for reimbursement in accordance with federal cost principles.

## 2015-102

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**Cluster Name:** Aging Cluster

**CFDA No. and Name:** 93.053 Nutrition Services Incentive Program

**Responsible Persons:** Barbara Frakes, Administrative Manager, Community Services; Norma Gallegos, Assistant Director, Community Services; Janet K. Regner, Director, Community Services.

**Anticipated completion date:** June 30, 2016

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### **Corrective Action Plan:**

Coconino County concurs with the recommendations and in accordance with 45 CFR §75.303. Coconino County Community Services will establish policies, procedures and internal controls to ensure compliance with cash management, matching and reporting requirements for eligible participants.

Coconino County Community Services/Nutrition Services Incentive Program staff will be trained to understand the program objectives, procedures, compliance requirements, and eligibility standards as outlined in the DHHS, Aging Cluster A-133 Compliance Supplement for CFDA 93.053. Congregate sign-in forms used to verify meal counts at all sites will be reviewed for accuracy with verifiable participant name and signature for receipt of meal delivery and count. Home Delivered forms used to verify meal counts at all sites will be reviewed for accuracy with verifiable participant name and signature for receipt of meal delivery and count. Daily reviews by the senior center leadership located at each center will incur further weekly review of these home delivered route sheets by the Program Manager and Assistant Director. Meal counts will be entered daily into a pre-defined worksheet that calculates meal counts automatically to ensure meal count accuracy. End of month review will ensure that all congregate meal counts have been verified by the Grant Technician and Administrative Manager for final accuracy.

## 2015-103

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**Cluster Name:** Aging Cluster

**CFDA No. and Name:** 93.053 Nutrition Services Incentive Program

**Responsible Persons:** Barbara Frakes, Administrative Manager, Community Services; Norma Gallegos, Assistant Director, Community Services; Janet K. Regner, Director, Community Services.

**Anticipated completion date:** June 30, 2016

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### **Corrective Action Plan:**

Coconino County concurs with the recommendations and will establish and implement policies and procedures to ensure that voluntary contributions are deposited into the correct account

and ensure that it uses contributions to improve the nutrition services offered to seniors. All voluntary contributions will be reconciled for accurate recording in accounting records on a monthly schedule to ensure compliance towards 45 CFR §1321.67 and OMB Circular A-133 §205.502.

Coconino County Finance will establish a process for departments to identify and report any program income activity to Finance for inclusion in the SEFA.

## **2015-104**

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**CFDA No. and Name:** 97.042 Emergency Management Performance Grants

**Responsible Persons:** Chyenne Schmidt, Senior Accountant, Finance; Heidi Derryberry, Accounting Operations and Special Districts Manager, Finance; Bonny Lynn, Director, Finance.

**Anticipated completion date:** June 30, 2016

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### **Corrective Action Plan:**

Coconino County concurs with the recommendation and will establish a County-wide procedure to ensure that salaries and wages that are charged to grants are accurate, allowable, and properly allocated. The procedure will require departments to complete an after the fact reporting and review of personnel expenditures that are charged to grant awards.

## **2015-105**

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**CFDA No. and Name:** 97.042 Emergency Management Performance Grants

**Responsible Persons:** Scott Richardson, Purchasing Manager, Finance; Bonny Lynn, Director, Finance.

**Anticipated completion date:** June 30, 2016

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### **Corrective Action Plan:**

Coconino County concurs with the recommendation to establish and implement policies and procedures to ensure that documentation is maintained evidencing purchases were made through the required competitive process. Coconino County Finance will review existing policies to ensure language is included that clearly identifies quote and contract documentation are maintained for the required time frames.

Coconino County concurs with the recommendation to establish and implement policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this verification. Coconino County Finance will establish a procedure for ensuring that purchases and purchase orders that exceed \$25,000 will be verified through the Excluded Parties List System.

## **2015-106**

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**CFDA No. and Name:** 97.042 Emergency Management Performance Grants

**Responsible Persons:** Ruthanne Penn, Administrative Specialist III, Emergency Management;  
Robert Rowley, Director, Emergency Management.

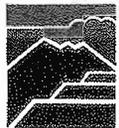
**Anticipated completion date:** June 30, 2016

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### **Corrective Action Plan:**

Coconino County concurs with the recommendation to improve the current procedures in place for reviewing the quarterly reimbursement request packet. Emergency Management has developed new reconciliation tools to add to the current procedures in order to ensure that the financial results are accurate, current and complete.

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**COCONINO**  
**COUNTY ARIZONA**  
**FINANCE**

*Bonny Lynn*  
*CFO/Director*

March 25, 2016

*Heidi Derryberry*  
*Accounting*  
*Operations and*  
*Special Districts*  
*Manager*

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

*Jerri Garcia*  
*Financial Systems*  
*Manager*

*Tom Johnson*  
*Financial Reporting*  
*and Audit Manager*

Dear Ms. Davenport:

*Scott Richardson*  
*Purchasing Manager*

We have prepared the accompanying Summary Schedule of Prior Audit Findings as required by the U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audits Schedule of Findings and Questioned Costs related to federal awards.

*Megan Zickerman*  
*Budget and Financial*  
*Planning Manager*

Sincerely,

Bonny Lynn  
Chief Fiscal Officer

219 E. Cherry Ave.  
Flagstaff, AZ 86001  
928-679-7199

Coconino County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015

Status of Federal Award Findings and Questioned Costs

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CFDA No.: Not applicable  
Finding No.: 2014-101  
Status: Fully corrected

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CFDA No.: 20.205 **Highway Planning and Construction**  
Finding No.: 2014-102  
Status: Fully corrected

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