

COCONINO COUNTY, ARIZONA

Single Audit Reporting Package

June 30, 2001

Table of Contents

Page

Report on Audit of General Purpose Financial Statements

Issued separately

Reports on Compliance and Internal Control

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of General Purpose Financial Statements Performed
in Accordance with *Government Auditing Standards* 1

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance in Accordance with
OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 5

Notes to Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs

Summary of Auditors' Results 8

Federal Award Findings and Questioned Costs 9

County Responses

Corrective Action Plan 10

Summary Schedule of Prior Audit Findings 12

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor General of the State of Arizona

The Board of Supervisors of Coconino County, Arizona

We have audited the general purpose financial statements of Coconino County as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Coconino County in a separate letter dated January 18, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 01-01.

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to the County's management in a separate letter dated January 18, 2002.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

January 18, 2002

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of Coconino County, Arizona

Compliance

We have audited the compliance of Coconino County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The County's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Coconino County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying schedule of findings and questioned costs as item 01-101.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving internal control over compliance and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 01-101.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the County's general purpose financial statements as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is matter of public record and its distribution is not limited.

January 18, 2002

COCONINO COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through:			
Arizona Department of Education National School Lunch Program	10.555	KR00-0475	\$ 7,870
Arizona Department of Health Services Special Supplemental Food Program for Women, Infants, and Children	10.557	761090 #4	427,207
Commodity Supplemental Food Program	10.565	76115 #4	9,121
Northern Arizona Council of Governments Nutrition Program for the Elderly (Commodities)	10.570	86 66000441BA	127,021
Arizona State Treasurer Schools and Roads - Grants to States	10.665	None	<u>642,213</u>
Total U.S. Department of Agriculture			<u>1,213,432</u>
U.S. Department of Housing and Urban Development			
Passed through:			
Arizona Department of Economic Security Emergency Shelter Grants Program	14.231	E6301004	190,941
Arizona Department of Commerce Community Development Block Grant	14.228	095-98	<u>122,895</u>
Total U.S. Department of Housing and Urban Development			<u>313,836</u>
U.S. Department of the Interior			
Payment in Lieu of Taxes	15.226		<u>820,879</u>
U.S. Department of Justice			
Violence Against Women Formula Grants	16.588		106,183
Grants to Encourage Arrest Policies	16.590		285,466
Local Law Enforcement Block Grants Program	16.592		21,150
Public Safety Partnership and Community Policing Grants	16.710		123,766
Executive Office for Weed and Seed	16.595		124,075
Passed through:			
Arizona Governor's Division for Children Coordinated Community Response Team/Rural Domes	16.589	97-WR-VX-004	35,101
Arizona Criminal Justice Commission Juvenile Accountability Incentive Block	16.523	JAIBG-03	42,227
National Criminal History Improvement Project	16.554	NCH-01-093	263,959
Byrne Formula Grant Program	16.579	CRI-00-019	<u>76,674</u>
Total U.S. Department of Justice			<u>1,078,601</u>
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
Senior Community Service Employment Program	17.235	E6201060	117,806
Workforce Investment Act	17.255	E5701006/E5702003	<u>771,114</u>
Total U.S. Department of Labor			<u>888,920</u>

(Continued)

See accompanying notes to schedule

COCONINO COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Public Transportation for Urbanized Areas	20.507		\$ 335,459
Interagency Hazardous Materials Transport	20.703		<u>23,167</u>
Total U.S. Department of Transportation			<u>358,626</u>
U.S. Federal Emergency Management Agency			
Passed through the Arizona Department of Emergency and Military Affairs			
Emergency Management - State and Local Assistance	83.534	None	46,298
Federal Emergency Management Vouchers	83.503	None	<u>21,525</u>
Total U.S. Federal Emergency Management Agency			<u>67,823</u>
U.S. Department of Education			
Passed through the Arizona Department of Health Services Special Education - Grants for Infants and Families with Disabilities			
	84.181	161004	<u>43,624</u>
U.S. Department of Health and Human Services			
Passed through:			
Northern Arizona Council of Governments			
Respite Care	93.004	866000441ba	13,940
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	866000441ba	121,482
Arizona Department of Health Services			
Immunization Grants	93.268	152037	32,363
HIV Care Formula Grants	93.917	652042 #6	293,285
Well Woman Health Check	93.919	852018	36,746
Title III HIV Planning grants	93.918	1 P06 HA 00283-01	29,507
HIV Prevention Activities - Health Department Based	93.940	852037, 852038	103,816
Preventative Health and Health Services Block Grant	93.991	952015	79,809
Maternal and Child Health Services Block Grant to the States	93.994	761103, 761007 961122, 761141	180,144
Arizona Department of Economic Security			
Temporary Assistance for Needy People	93.558	E6301035 E5900007 E6301004	204,681
Title IVD Child Support	93.563	None	4,690
Low-Income Home Energy Assistance	93.568	E6301035 / E6301004	79,834
Community Services Block Grant	93.569	E6301004	
Social Services Block Grant	93.667	E6301004/E2309036/866000441BA 86 6000441BA	61,321 <u>100,697</u>
Total U.S. Department of Health and Human Services			<u>1,342,315</u>
U.S. Corporation for National and Community Service			
Passed through Arizona National and Community Service Division			
Americorps	94.006	94-ASC-AZ-003	<u>37,574</u>
Total Expenditures of Federal Awards			<u>\$ 6,165,630</u>

See accompanying notes to schedule

COCONINO COUNTY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coconino County 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) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *2001 Catalog of Federal Domestic Assistance Update*.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

	YES	NO
Material weakness identified in internal control over financial reporting?	<u> </u>	<u> X </u>
Reportable condition identified not considered to be material weakness?	<u> X </u>	<u> </u>
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>

Federal Awards

Material weakness identified in internal control over major programs?	<u> </u>	<u> X </u>
Reportable condition identified not considered to be material weakness?	<u> X </u>	<u> </u>

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

Unqualified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads – Grants to States
15.226	Payment in Lieu of Taxes
17.255	Workforce Investment Act
20.507	Public Transportation for Urbanized Areas
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?	<u> </u>	<u> X </u>
--	-------------------	---------------------------------

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> X </u>	<u> </u>
---	-----------------------------	-------------------

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Financial Statement Findings

01-01

The County did not reconcile amounts reported on the financial statements to the official budget approved by the Board of Supervisors

Budgeted revenue and expenditure amounts that are entered into the County's general ledger system by the Budget Director's staff do not agree with the official adopted budget approved by the County Board of Supervisors. As a result, the finance department does not have the information necessary to prepare budget and actual financial statements that agree to the current board-approved budget. This condition impairs the usefulness of the financial statements to their users and we consider this to be a reportable condition.

The County should implement measures that help ensure the balances entered into the general ledger system agree with, or can be reconciled to, the budget that is approved by the County Board of Supervisors.

Federal Award Findings and Questioned Costs

01-101

CFDA No.: 93.994 **Maternal and Child Health Services Block Grant to the States**

U.S. Department of Health and Human Services

Pass-through Entity: Arizona Department of Health Services

Award Year: July 1, 1999 through June 30, 2000

Award Numbers: 761103, 761007, 961122, 761141

Questioned Cost: N/A

The Coconino County Department of Health Services did not establish and maintain written internal control policies and procedures that conform to the allowable costs/cost principle and eligibility compliance requirements of the Maternal and Child Health Services Block Grant to the States program. Our auditing procedures determined that the County appeared to be in compliance with laws, regulations and the provisions of grant agreements that had a direct and material effect on the program. Therefore, we consider this to be a reportable condition, but not a material weakness, and not a material instance of noncompliance.

In order to help ensure compliance with the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, Section .300 (b), the County should take steps to establish and maintain written internal control policies and procedures that conform to the compliance requirements of the Maternal and Child Health Services Block Grant to the States program.

September 5, 2002

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's schedule of findings and questioned costs.

Sincerely,

Michael F. Townsend
Finance Director

**COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 2001**

Financial Statement Findings

01-01

The County did not reconcile amounts reported on the financial statements to the official budget approved by the Board of Supervisors

Contact Person: Mike Townsend

Phone Number: (928)-779-6895

Anticipated completion date: Completed

The County Budget department has implemented procedures to reconcile the budget entered into the County's general ledger system for the fiscal year 2003 budget entered in August 2002. This is to ensure the balances entered into the general ledger system agree with, or can be reconciled to, the budget that is approved by the County Board of Supervisors.

Federal Award Findings and Questioned Costs

01-101

CFDA NO.: 93.994 Maternal and Child Health Services Block Grant to the States

Contact Person: Laura Talavera

Phone Number: (928)-522-7950

Anticipated completion date: 12/31/2002

The Health Department's Clinical Services Unit is currently in the process of developing written internal control policies and procedures for all programs. For those programs, which are grant funded, there will be grant or contract specific policies and procedures which cover allowed costs/activities and eligibility.

September 5, 2002

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following summary schedule of prior audit findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs related to federal awards. This schedule also includes audit findings reported in the prior audit's summary schedule of prior audit findings that have not been corrected.

Sincerely,

Michael F. Townsend
Finance Director

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2001

Status of Federal Award Findings and Questioned Costs

96-102

CFDA No. 93.994 – **Maternal and Child Health Service Block Grant to the States**
U.S. Department of Health and Human Services, 1996
Arizona Department of Health Services

Finding: The Family Planning Services Program's number of provided service units was overstated on the Contractor's Expenditure Reports for fiscal year 1995-96. Amounts claimed for reimbursement are based on a fixed rate per unit of service provided, as specified in the ADHS grant agreement. As a result, the amount claimed and reimbursed was overstated by \$1,170.

Status: Not corrected

Family planning staff are in the process of researching this questioned cost and will be meeting with officials from ADHS to resolve this issue by December 31, 2002.

98-102

CFDA No. 93.994 – **Maternal and Child Health Service Block Grant to the States**
U.S. Department of Health and Human Services, 1997 and 1998
Arizona Department of Health Services

Finding: The Coconino County Department of Health Services did not maintain adequate supporting documentation to comply with the Maternal Child Health Services Block Grant to the States program for the Family Planning Services program requirements.

Status: Corrected

A client listing by month that organizes participant data to allow for eligibility testing has been kept since January of 2001.

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2001

99-103

CFDA No. 16.590 – **Grants to Encourage Arrest Policies**
U.S. Department of Justice, 1998 and 1999

Finding: The Coconino County Attorney's Office (the County) did not establish policies and procedures to properly monitor the activities of Victim/Witness Services for Coconino County, Inc. (VWS), the subrecipient of the Grants to Encourage Arrest Policies program. Quarterly expenditure reports and program narratives were not obtained in a timely manner for the subrecipient. As a result, the County was not able to verify that federal funds drawn down by VWS were properly disbursed and federal monies were expended within budget limitations. Also, under the subrecipient agreement VWS was responsible for completing the County's quarterly financial status reports. However, the County failed to maintain a copy of these reports and we were unable to verify if they were accurately completed. Furthermore, the County failed to determine if VWS required a single audit.

We consider this to be a material instance of noncompliance and a material weakness.

Status: Not corrected

The Grants to Encourage Arrest Policies was discontinued in FY 2001. However, the County plans to develop internal control policies and procedures to help ensure proper monitoring of federal award program subrecipients.

00-101 and 98-101

CFDA No. 93.994 – **Maternal and Child Health Service Block Grant to the States**
U.S. Department of Health and Human Services, 1997, 1998,
and 2000

Arizona Department of Health Services

Finding: The Coconino County Department of Health Services did not establish and maintain written internal control policies and procedures by June 30, 2002, applicable to the Maternal and Child Health Services Block Grant to the States program.

Status: Not corrected

The Health Department's Clinical Services Unit is currently in the process of developing written internal control policies and procedures for all programs. For those programs, which are grant funded, there will be grant or contract specific policies and procedures which cover allowed costs/activities and eligibility.

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2001

00-102

CFDA No.: 93.994 **Maternal and Child Health Services Block Grant to the States**

U.S. Department of Health and Human Services

Pass-through Entity: Arizona Department of Health Services

Award Year: July 1, 1999 through June 30, 2000

Award Number: 761103

Questioned Cost: \$84,370

The Coconino County Department of Health Services (the Department) did not maintain adequate supporting documentation to comply with the Maternal and Child Health Services Block Grant to the States program for the Family Planning Services program requirements as evidenced by the following deficiencies.

- A complete population of the Family Planning Services program awards was not available because the department did not maintain a listing of participants. Therefore, we were unable to determine if federal monies were awarded only to eligible participants.
- Supporting documentation for the Family Planning Services program monthly Contractor Expenditure Reports was organized in a manner that precluded audit testing. Therefore, we were unable to verify the information submitted on the reports.

Status: Corrected

A listing of participants has been kept since January 2001 and all supporting documentation has been organized and filed to facilitate testing.