

Greenlee County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2004

**Greenlee County
Single Audit Reporting Package
Year Ended June 30, 2004**

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Issued separately

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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 Board of Supervisors of
Greenlee County, Arizona

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 24, 2008, which was modified as to consistency because of the implementation of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We conducted our audit 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.

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 opinions on the basic financial statements and not to provide an opinion 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 basic financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item **04-1**.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the basic 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 that the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

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. It 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.

Miller, Allen & Co., P.C.

November 24, 2008

**Independent Auditor's 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
Greenlee County, Arizona

Compliance

We have audited the compliance of Greenlee 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, 2004. The County's major federal programs are identified in the Summary of Auditor's 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 federal 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 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 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Greenlee 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, 2004.

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 the internal control over compliance 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 the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item **04-2**.

A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 the internal control over compliance would not necessarily disclose all matters in the internal control 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 that the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2004, and have issued our report dated November 24, 2008, which was modified as to consistency because of the implementation of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Greenlee 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 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. It 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.



November 24, 2008

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Program			
Cooperative Forestry Assistance	10.664		\$ 8,427
Passed through the Arizona State Treasurer			
Schools and Roads – Grants to States	10.665	None	537,552
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	76-1093	32,581
Total U.S. Department of Agriculture			<u>578,560</u>
<u>U.S. Department of the Interior</u>			
Direct Program			
Payments in Lieu of Taxes	15.226		353,908
Taylor Grazing Act	15.Unknown		3,604
Total U.S. Department of the Interior			<u>357,512</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services			
Centers for Disease Control-Investigations and Technical Assistance	93.283	None	177,405
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	23-3013	43,451
Preventive Health Services Block Grant	93.991	30-4062	25,981
Maternal and Child Health Services Block Grant to the States	93.994	76-1106	10,980
Total U.S. Department of Health and Human Services			<u>257,817</u>
<u>U.S. Department of Labor</u>			
Passed through the Arizona Department of Economic Security			
WIA Cluster:			
WIA Adult Program	17.258	E5701009	50,933
WIA Youth Activities	17.259	E5701009	77,002
WIA Dislocated Workers	17.260	E5702006	27,559
Total WIA Cluster			<u>155,494</u>
Welfare-to-Work Grants to States and Localities	17.253	Unknown	2,458
Total U.S. Department of Labor			<u>157,952</u>
<u>Election Assistance Commission</u>			
Passed through the Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	136,783
Total Election Assistance Commission			<u>136,783</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Arizona Department of Emergency and Military Affairs			
Homeland Security Grant Program	97.067	None	53,285
Community Emergency Response Teams	97.054	None	12,778
Total U.S. Department of Homeland Security			<u>66,063</u>

See accompanying notes to schedule.

Greenlee County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct Program			
Airport Improvement Program	20.106		62,272
Total U.S. Department of Transportation			<u>62,272</u>
<u>U.S. Department of Justice</u>			
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Formula Grant Program	16.579	AC-040-01	36,030
Total U.S. Department of Justice			<u>36,030</u>
<u>Federal Emergency Management Agency</u>			
Passed through the United Way of Arizona			
Emergency Management – State and Local Assistance	83.534	None	6,870
Total Federal Emergency Management Agency			<u>6,870</u>
Total Expenditures of Federal Awards			<u>\$ 1,659,859</u>

See accompanying notes to schedule.

Greenlee County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenlee 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 2004 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2004.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

YES NO

Material weakness identified in internal control over financial reporting? _____ X

Reportable condition identified not considered to be a material weakness? X _____

Noncompliance material to the financial statements noted? _____ X

Federal Awards

Material weakness identified in internal control over major programs? _____ X

Reportable condition identified not considered to be a material weakness? X _____

Type of auditor's 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])? _____ X

Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
93.283	Centers for Disease Control-Investigations and Technical Assistance

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

Auditee qualified as low-risk auditee? X _____

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? _____ X

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Section II – Financial Statement Findings

Item: 04-1

Subject: Segregation of Duties

Criteria: The handling and recording of any one transaction from beginning to end by any one individual should be avoided.

Condition: The following segregation of duties deficiencies was noted:

1. Finance department – an individual who is responsible for processing payroll transactions also can create and/or modify employee computer payroll records;
2. Finance department – an individual with voucher preparation responsibilities also receives the signed warrants for vendor distribution;
3. Treasurer's office – individuals with responsibility for maintaining accounting records also are required to log cash receipts received through the mail.

Cause: Existing policies and procedures have not been implemented which segregate the following functions:

1. Authorization;
2. Recordkeeping;
3. Custody of assets.

Effect: The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected.

Recommendation: Current policies and procedures should be implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, accidental or deliberate.

Response: The current policies for separation of duties were developed with the advice of previous audit firms but have not been updated. Policies and procedures will be reviewed and modified to address the issue. The current policy in place will be modified as recommended.

Greenlee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Section III – Federal Award Findings and Questioned Costs

Item: 04-2

CFDA Number: 93.283

Program: Centers for Disease Control-Investigations and Technical Assistance

Agency: Health and Human Services

Award Year: 07/01/2003 – 06/30/2004

Award Number: None

Condition: The handling and recording of any one transaction from beginning to end by any one individual is not being prohibited. See Section II – Financial Statement Findings, item 04-1.

Questioned Costs: Not Applicable

Recommendation: Current policies and procedures should be implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, accidental or deliberate.

County Responses

**Greenlee County
Corrective Action Plan
Year Ended June 30, 2004**

Federal Award Findings and Questioned Costs

Item: 04-2

CFDA Number: 93.283

Program: Centers for Disease Control-Investigations and Technical Assistance

Contact Person: Kay Gale, Administrator/Clerk of the Board

Anticipated Completed Date: Immediately

Corrective Action: The current policies for separation of duties were developed with the advice of previous audit firms but have not been updated. Policies and procedures will be reviewed and modified to address the issue. The current policy in place will be modified as recommended.