



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Yavapai County

Year Ended June 30, 2015



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

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Report Issued Separately

Comprehensive Annual Financial Report



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' 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***

Members of the Arizona State Legislature

The Board of Supervisors of
Yavapai County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Yavapai 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, and have issued our report thereon dated March 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questions Costs as item 2015-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Yavapai County Response to Findings

Yavapai County's response to the finding identified in our audit is presented on pages 17 through 19. The County's response was not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jay Zsorey, CPA
Financial Audit Director

March 30, 2016



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
Yavapai County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Yavapai 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.

Basis for Qualified Opinion on the Maternal and Child Health Services Block Grant to the States Program

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding the Maternal and Child Health Services Block Grant to the States

program CFDA No. 93.994, as described in item 2015-101, for the allowable costs/cost principles compliance requirements. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Maternal and Child Health Services Block Grant to the States Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Yavapai County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Maternal and Child Health Services Block Grant to the States program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Yavapai 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 other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Yavapai County's response to the noncompliance finding identified in our audit is presented on pages 17 through 19. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101, 2015-102, and 2015-103, that we consider to be material weaknesses.

Yavapai County's responses to the internal control over compliance findings identified in our audit are presented on pages 17 through 19. 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 Yavapai 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 March 30, 2016, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, based on our audit, the procedures performed as described previously, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA
Financial Audit Director

March 30, 2016

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Yavapai 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
Department of Agriculture						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	\$ 20,444	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	46,502	
	<i>Total Child Nutrition Cluster</i>				<u>66,946</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053058	773,093	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030679	148,942	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010884	30,422	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster	Arizona State Treasurer	None		2,188,773
10 11-PA-11030900-023	Forest Service					<u>21,917</u>
	Total Department of Agriculture				<u>3,230,093</u>	
Department of Housing And Urban Development						
14 228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	103-14, 108-14, 112-14, 116-14, 122-14		<u>622,055</u>
Department of Interior						
15 227	Distribution of Receipts to State and Local Governments		Arizona State Treasurer	None		<u>47,874</u>
Department of Justice						
16 2014-06	Domestic Cannabis Eradication/Suppression Program					14,840
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families	JB-CSG-14-4365-11		14,774
16 543	Missing Children's Assistance		Arizona Crimes Against Children Task Force	2012-MC-FX-K008		4,937
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2014-133		234,019
16 606	State Criminal Alien Assistance Program					7,263
16 738	Edward Byrne Memorial Justice Assistance Grant Program					26,204
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-15-034		<u>50,802</u>
	<i>Total 16.738</i>				<u>77,006</u>	
16 922	Equitable Sharing Program					<u>110,000</u>
	Total Department of Justice				<u>462,839</u>	
Department of Labor						
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111014001	499,714	\$ 499,714
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE111014001	391,276	391,276
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111014001	401,524	401,524
	<i>Total WIA Cluster</i>				<u>1,292,514</u>	<u>1,292,514</u>

See accompanying notes to schedule.

Yavapai 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
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111014001	16,694	16,694
Total Department of Labor					<u>1,309,208</u>	<u>1,309,208</u>
Department of Transportation						
20 106	Airport Improvement Program				1,626,307	
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	JPA 11-087, JPA 12-105I, JPA 14-0004610-I, JPA 14-0004613-I	382,872	
20 505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		Arizona Department of Transportation	JPA 11-087	15,904	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2014-PT-022, 2015-AL-025, 2015-CIOT-019, 2015-PT-047, 2015-PT-070	33,041	
20 601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2014-410-023	6,523	
	<i>Total Highway Safety Cluster</i>				<u>39,564</u>	
20 608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		Arizona Governor's Office of Highway Safety	2014-164-087	8,267	
Total Department of Transportation					<u>2,072,914</u>	
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	None	23,149	
Department of Education						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	None		48,322
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	15FESCBG-513357-09A, 15FESSCG-513357-55B	234,693	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	None		79,765
84 173	Special Education—Preschool Grants	Special Education Cluster (IDEA)	Arizona Department of Education	15FECCBP- 513357-37A	12,922	
	<i>Total Special Education Cluster (IDEA) Cluster</i>				<u>327,380</u>	
84 365	English Language Acquisition State Grants		Arizona Department of Education	15FELENG-513357-66A	19,040	
84 366	Mathematics and Science Partnerships		Arizona Department of Education	14FMSMP2-470744-01A	7,626	
84 366	Mathematics and Science Partnerships		Coconino County, Arizona	14FMSMSP-470669-04A	10,748	
	<i>Total 84.366</i>				<u>18,374</u>	
84 367	Improving Teacher Quality State Grants		Arizona Supreme Court	None		7,102
84 395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, Recovery Act		Arizona Department of Education	13-06-EDSG	88,538	
Total Department of Education					<u>508,756</u>	
Election Assistance Commission						
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None		10,694

See accompanying notes to schedule.

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

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Health and Human Services						
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007898	272,660	
93 217	Family Planning—Services		Arizona Family Health Partnership	None	294,849	
93 224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	Health Centers Cluster			559,370	
93 527	Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program <i>Total Health Centers Cluster</i>	Health Centers Cluster			<u>792,946</u> <u>1,352,316</u>	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041551	126,678	
93 283	Centers for Disease Control and Prevention—Investigations and Technical Assistance		Arizona Department of Health Services	ADHS13-042813	2,397	
93 563	Child Support Enforcement		Arizona Department of Economic Security	G1304AZ4004	174,376	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	G1101AZSAVP	7,933	
93 617	Voting Access for Individuals with Disabilities—Grants to States		Arizona Secretary of State	None	43	
93 752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds		Arizona Department of Health Services	ADHS14-064589	102,950	
93 917	HIV Care Formula Grants (Ryan White HIV/Aids Program Part B)		Arizona Department of Health Services	ADHS13-040485	71,688	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-029720	15,052	
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-065360	17,508	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071220	14,897	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	ADHS14-063030	32,558	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS12-021337, ADHS12-010920, ADHS13-034544, ADHS13-044452, ADHS14-0074956	<u>532,048</u>	
Total Department of Health and Human Services					<u>3,017,953</u>	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2014-EP-000016	137,487	
97 045	Cooperating Technical Partners				89,521	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130507-04, 130512-01, 999512-04	<u>4,831</u>	
Total Department of Homeland Security					<u>231,839</u>	
Total expenditures of federal awards					<u>\$ 11,537,374</u>	<u>\$ 1,309,208</u>

See accompanying notes to schedule.

Yavapai 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 Yavapai 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.

The amount reported on the schedule for the National School Lunch Program (10.555) includes \$15,835 of noncash assistance.

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, the two-digit federal agency identifier and the federal contract number were used.

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

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Yes No

Internal control over financial reporting:

Material weakness identified? ___ X

Significant deficiency identified? X ___

Noncompliance material to the financial statements noted? ___ X

Federal Awards

Internal control over major programs:

Material weaknesses identified? X ___

Significant deficiencies identified? ___ X
(None reported)

Type of auditors' report issued on compliance for major programs:
 Unmodified for all major programs except for the Maternal and Child Health Services Block Grant to the States program, which was qualified.

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 Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads—Grants to States
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.106	Airport Improvement Program
84.027/84.173	Special Education Cluster
93.224/93.527	Health Centers Cluster
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs: \$346,121

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

Yes **No**

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 ___

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

Financial Statement Findings

2015-01

The County should establish policies and procedures for preparing its financial statements

Criteria: The County's Governing Board and management depend on accurate information to fulfill their oversight responsibilities and to report accurate information to the public and agencies from which the County receives funding. Accordingly, the County's internal controls should include policies and procedures to help ensure that it prepares an accurate *Comprehensive Annual Financial Report* in accordance with generally accepted accounting principles.

Condition and context: The County's Department of Finance did not accurately compile and thoroughly review its financial statements, note disclosures, schedules, and other information supporting the financial statements. As a result, the County did not consistently follow GAAP when preparing its financial statements, note disclosures, and Required Supplementary Information (RSI). For example, auditors noted that the County did not properly report the net pension liability, and certain revenue and expenses related to pensions in its financial statements, note disclosures, and RSI. Further, the pension note disclosures and RSI contained numerous errors.

Effect: Without a detailed review, the County's *Comprehensive Annual Financial Report* could omit important and required information or contain other misstatements. The County adjusted its financial statements, notes, and other reported information within the *Comprehensive Annual Financial Report* to report the correct amounts and information.

Cause: The County lacked comprehensive written policies and procedures needed to accurately prepare and perform a thorough review of its *Comprehensive Annual Financial Report*.

Recommendation: To help ensure that the financial statements are accurate and prepared in accordance with generally accepted accounting principles, the County should:

- Develop and follow comprehensive written procedures for compiling and presenting financial data within the financial statements, note disclosures, and RSI including detailed instructions for obtaining information not readily available from the accounting system, but necessary for financial statement preparation.
- Allocate the appropriate resources and monitor and enforce completion dates for compiling, preparing, and reviewing the *Comprehensive Annual Financial Report* and supporting schedules.
- Train other employees in financial reporting responsibilities.
- Have an appropriate employee who did not prepare the financial statements review them and the accompanying note disclosure and RSI. The reviewer should make sure that the amounts are accurate and properly supported and the financial statements are presented in accordance with generally accepted accounting principles.

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

Federal Award Findings and Questioned Costs

2015-101

CFDA No. and Name:	93.994 Maternal and Child Health Services Block Grant to States
Award Numbers and Years:	AHDS12-010920, January 1, 2011 through December 31, 2015 ADHS12-021337, April 1, 2014 through March 31, 2015 ADHS13-034544, January 1, 2013 through December, 31, 2017 ADHS13-044452, July 1, 2013 through June 30, 2018 ADHS14-0074956, July 14, 2014 through June 30, 2017
Federal Agency:	Department of Health and Human Services
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 Code of Federal Regulations (CFR) §225, Appendix B, Section 8.h, the County should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to the federal program represents a reasonable distribution of employees' actual time and effort worked on the program.

Condition and context: The County's Health Department (Department) spent a total of \$404,388 in salaries and wages for the Maternal and Child Health Services Block Grant to the States (MCHS). For 21 of 54 payroll transactions tested, the County did not complete time and effort reports or perform other procedures to verify that payroll charged to the program was accurate.

Effect: The Department may have charged inappropriate payroll costs to the program. It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding.

Cause: The County did not have policies and procedures to ensure that all employees complete the appropriate time and effort reports to ensure that salaries and wages reflect the actual time spent working on the program.

Recommendation: The County should develop and implement policies and procedures for all payroll transactions charged to the program that include a requirement to complete time and effort reports or perform other procedures to verify that payroll charged to the program was accurate.

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

2015-102

Cluster Name:	Health Centers Cluster
CFDA No. and Name:	93.224 Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) 93.527 Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program
Award Numbers and Years:	H80CS00842-12-05, November 1, 2013 through October 31, 2014 H80CS00842-13-04, November 1, 2014 through January 31, 2016
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: In accordance with 45 CFR §75.303(a), effective internal controls must be maintained over federal awards to provide reasonable assurance that the County is managing its awards in compliance with program rules and regulations.

Condition and context: The County did not follow its policies and procedures to review its quarterly financial reports, annual financial report, and special report submitted during fiscal year 2015. Specifically, the County did not retain documentation to support that a review had taken place to ensure the reports' accuracy and completeness.

Effect: The County may report inaccurate information on financial and special reports submitted to the federal grantor. This finding did not result in questioned costs because the reports were not used to request federal expenditure reimbursement.

Cause: The County did not follow procedures to ensure that the information in the financial and special reports were reviewed.

Recommendation: The County should follow its policies and procedures to review all reports to ensure that the information reported is accurate, complete, and supported by the County's financial and medical records and retain evidence of such approval.

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

2015-103

CFDA No. and Name:	20.106 Airport Improvement Program
Award Numbers and Years:	3-04-0033-022-2014, September 4, 2014 through September 4, 2015
Federal Agency:	Department of Transportation
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	None

Criteria: In accordance with 49 U.S. Code §47112, the County's Public Works Department (Department) must have internal control policies and procedures to ensure that all contractors and subcontractors awarded more than \$2,000 in federal monies for an airport development project paid minimum wage rates as determined by the U.S. Secretary of Labor.

Condition and context: During fiscal year 2015, the Department had a vendor that maintained and monitored compliance with the wage requirements and certified payroll. However, the Department did not review the certified payroll to ensure that the wage requirements were actually met or that all certified payroll was received.

Effect: The Department could not demonstrate that it had fully complied with the wage rate requirements. This finding did not result in questioned costs as auditors were able to review the certified payroll the vendor maintained and verify that wage requirements were met and all certified payroll was received.

Cause: The Department did not have adequate policies and procedures to ensure that all contractors and subcontractors subject to wage requirements met those requirements or that all certified payroll was received.

Recommendation: The Department should develop and implement policies and procedures to ensure that it is reviewing all certified payroll to ensure that all wage requirements are being met and all certified payroll is received.



Yavapai County Finance Department

DANIEL RUSING, CPA

FINANCE DIRECTOR

March 23, 2016

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 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 financial reporting finding, we are providing you with the corrective action planned, and 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,

Daniel Rusing
Finance Director

Yavapai County
Corrective Action Plan
Year Ended June 30, 2015

Financial Statement Findings

2015-01

The County should establish policies and procedures for preparing its financial statements

Name of contact person: Daniel Rusing, Finance Director

Anticipated completion date: 6/30/2016

Yavapai County and all other governmental entities were required to implement this year the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This new GASB required us to gather complex information from all of the retirement plans that the County contributes to, utilizing various reports from various entities in various formats, and from our internal accounting and records systems. While some guidance exists currently, reporting under GASB 68 is still a work in progress, and we feel that we made a reasonable attempt to comply with the dictates of the statement and that our adjustments and disclosures were appropriate and materially correct. We anticipate that the process will become more efficient going forward and that we will be able to consistently report pension results in future years on the basis prescribed by the auditors and as agreed to this year. We know that variations existed this first year between Counties within the state in data collection methods, in estimating and in reporting under GASB 68, and complying with the dictates of GASB 68 will become easier as consistency develops with all Counties in subsequent years.

Some of the "issues or errors" mentioned may have been caught with a thorough review by another knowledgeable person in the department, but Yavapai County does not currently have the staffing levels needed to perform such a complete review. Yavapai County has historically had a fairly straightforward and organized process in preparing the CAFR that allowed for more self-checking by the CAFR preparers, but not this year. Due to turnover and vacancy in the Finance Director position, the new accounting system that made generating the needed CAFR accounting reports difficult or impossible, and the extra implementation time needed for GASB 68, there was even less time than normal this year for the Finance Department to review all aspects of the CAFR. Efforts are being made to improve the reporting from our new accounting system, and a having a finance director in place for the full year and for a second CAFR cycle will help next year. We will initiate a more formal review process for next year that will document and track the levels of review that are completed; a more normal year will hopefully allow us the additional time needed to appropriately expand our review process.

Yavapai County
Corrective Action Plan
Year Ended June 30, 2015

Federal Award Findings and Questioned Costs

2015-101

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

Name of contact person: Kathy Yancy, Finance Supervisor
Anticipated completion date: January 31, 2016

Staff will be required to fill out time studies in an accurate and timely fashion and perform other procedures to verify that payroll charged to the program is accurate. Time studies were implemented for Public Health funds effective 2/1/15 and the Clinic fund effective 1/31/16.

2015-102

Health Centers Cluster

CFDA No.: 93.224 **Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)**

93.527 **Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program**

Name of contact person: Kathy Yancy, Finance Supervisor
Anticipated completion date: January 1, 2016

To help ensure that all financial reports as well as monthly reimbursement requests are complete and accurate, the Finance Department will have the reports and reimbursement requests reviewed and approved by a second person. The reviewer will sign and date the reports and requests as approval.

2015-103

CFDA No.: 20.106 **Airport Improvement Program**

Name of contact person: Lisa Brown, Grants Administrator
Anticipated completion date: March 31, 2016

The Department contracted with the consultant, C&S Engineers, Inc. to perform construction management services for Yavapai County on the Sedona Airport project "Apron A Reconstruction". The contract included the wording in the section of responsibilities/duties, "Collect and monitor weekly payrolls for Davis Bacon Act compliance". The consultant performed these duties successfully. While we relied on the consultant to perform this obligation, it was not reviewed by county staff. The Grants Administrator will monitor and review that the consultant is receiving and reviewing certified payrolls from all contractors for Davis Bacon compliance. The payrolls will also be filed with the grant for inspection. While the Public Works Department has contracted with a firm to monitor this function, we remain aware that it is our responsibility for compliance.

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Yavapai County Finance Department

DANIEL RUSING, CPA

FINANCE DIRECTOR

March 16, 2016

Debbie Davenport
Auditor General
2910 North 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport,

We have prepared the accompanying Summary Schedule of Prior Audit Findings 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 the status of audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

Daniel Rusing
Finance Director

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

Status of Federal Award Findings and Questioned Costs

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

Finding No. : 2014-101

Status: Partially corrected. Time studies were implemented for Public Health funds effective 2/1/15 and the Clinic fund effective 1/31/16.

CFDA No. : 10.855 **Distance Learning and Telemedicine Loans and Grants**

Finding No. : 2014-102

Status: Fully corrected.

Special Education Cluster (IDEA)

CFDA No. : 84.027 **Special Education —Grants to States**

84.173 **Special Education —Preschool Grants**

Finding No. : 2014-103 and 12-104

Status: Fully corrected.

CFDA No. : 84.395 **State Fiscal Stabilization Fund (SFSF) —Race-to-the-Top Incentive, Recovery Act**

Finding No. : 2013-102

Status: Fully corrected.

CFDA No. : Not applicable

Finding No. : 2014-104

Status: Fully corrected.