

Apache County, Arizona
Single Audit Reporting Package
June 30, 2021

Apache County, Arizona

Table of Contents

	<u>Page</u>
Auditors' Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
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 the Uniform Guidance	3-5
Schedule of Findings and Questioned Costs:	
Summary of Auditors' Results	6
Financial Statement Findings	7-9
Federal Award Findings and Questioned Costs	10-12
County Section	
Schedule of Expenditures of Federal Awards	14-15
Notes to Schedule of Expenditures of Federal Awards	16
Corrective Action Plan	
Summary Schedule of Prior Audit Findings	
Report Issued Separately	
Basic Financial Statements	

**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**

Arizona Auditor General
Board of Supervisors of
Apache 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 Apache County, Arizona (the "County") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 13, 2024. Our opinion on those financial statements was qualified for the Road Fund because we did not observe inventory reported in the Road Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 of the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses which are listed as items **2021-001**, **2021-002** and **2021-003**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, the auditor performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items **2021-001**, **2021-002** and **2021-003** in the accompanying schedule of findings and questioned costs.

Apache County's Response to Findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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

Snyder & Brown CPAs, PLLC
Tempe, Arizona
September 13, 2024

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 the Uniform Guidance

Arizona Auditor General
The Board of Supervisors of
Apache County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Apache 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Coronavirus Relief Funds Program, Assistance Listing Number 21.019

As described in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding Allowable Costs/Costs Principles of the Coronavirus Relief Funds Program (Assistance Listing Number 21.019), Finding Number 2021-104. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the Coronavirus Relief Fund Program.

Qualified Opinion on Coronavirus Relief Fund Program, Assistance Listing Number 21.019

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coronavirus Relief Funds Program (Assistance Listing Number 21.019) for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as items **2021-101**, **2021-102** and **2021-103**. Our opinion on the major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items **2021-101**, **2021-102**, **2021-103** and **2021-104**, that we consider to be material weaknesses.

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

Apache County's Response to Findings

The County's responses to the findings identified in our audit are included in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Apache County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 13, 2024, that contained unmodified opinions on those financial statements, except for the Road Fund, which is qualified. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

September 13, 2024

**Apache County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified except for the Road Fund which is Qualified
Internal control over financial reporting: Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Non-Compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported

Identification of major programs and type of auditor's report issued on compliance for major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
21.019	Coronavirus Relief Funds	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511(b)?	Yes
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**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section II-Financial Statement Findings

2021-001- Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)

Criteria: Arizona Revised Statutes (A.R.S.) and Federal laws and regulations require counties to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year. The deadline was extended six (6) additional months due to the Covid-19 pandemic.

Condition and Context: As noted in prior year's finding 2020-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, unearned revenue, revenues and expenditures resulted from our audit.

Cause: While improved from prior years, the cause is a continued lack of resources and oversight devoted to the financial reporting process by the County's finance department.

Effect: The effect is that the County did not meet its reporting obligations and County financial statement users did not have timely audited financial information necessary for decision making. Furthermore, the County has not complied with state statutes and federal regulations.

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

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section II-Financial Statement Findings (continued)

2021-002- Cash Monitoring and Treasurer Reconciliations (Material Weakness)

Criteria: Pursuant to the Uniform Accounting Manual for Arizona Counties, Section VI-B-4 – *Reconciliation to the County Treasurer*, Counties should develop written policies to reconcile their cash balances by fund to the county treasurer’s records at least monthly, and at the fiscal year-end. Policies and procedures should also be established to ensure that cash activity relating to County departments is appropriately understood as to the availability of these resources, and that these accounts are appropriately reconciled and recorded in the County’s general ledger.

Condition and Context: During 2021, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer’s records and the County’s records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer’s records of \$58,983.
- The cash on deposit at the courts and some other county departments totaling \$1,942,046 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at yearend allowing potential for unrecorded transactions. This finding is similar to prior year finding 2020-002.

Cause: The County has not established appropriate policies and procedures to monitor and reconcile all cash accounts on an ongoing basis.

Effect: By not reconciling the cash and treasurer balances accurately on a regular basis the County is at a higher risk of potential fraud and other material misstatements for error.

Auditor’s Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

County’s Response: The County’s responsible officials’ views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section II-Financial Statement Findings (continued)

Finding 2021-003 Improve Budgetary Controls (Repeat Finding) (Material Weakness)

Criteria: Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Condition and Context: During 2021, there were twelve (12) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2020-003.

The County exceeded its budget for the general fund by \$2,561,366. Included in this amount was significant excess expenditures in the Sheriff department for contributions made to the PSPRS retirement plan during the year resulting in that department exceeding its budget by \$12,338,296. These excess expenditures were not included in the approved budget. The road fund was under budget by \$2,277,609 while the Junior College fund was under budget by \$294,534. The County's budget reports a total contingency line item budgets of \$5,364,499 in which only \$1,047,737 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.

Cause: The cause is from a continued lack of resources dedicated towards the proper development, monitoring and enforcement of the annual budget.

Effect: The effect is that the several departments are over-budget which violates state statute. In addition, the contingency line items is being incorrectly used.

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

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section III-Federal Award Findings and Questioned Costs

Finding 2021-101 Single Audit Reporting Package Not Filed Timely (Repeat Finding) (Material Weakness, Compliance Finding)

Assistance Listing Number:	21.019
Cluster Title:	N/A
Program Titles:	Coronavirus Relief Funds
Federal Agency:	U.S. Department of Treasury
Award Year:	2020
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None

Criteria: The terms of the County's federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditees' fiscal year-end. A six (6) month extension was provided due to the Covid-19 pandemic.

Condition and context: The County's single audit reporting package for the fiscal year ended June 30, 2021, was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end or within the extended period. This finding is similar to prior year finding 2020-101.

Cause: The cause was a continued lack of resources devoted to the accounting and year-end closing.

Effect: The effect is the untimely submission of the single audit reporting package resulting in noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the Federal Audit Clearinghouse.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section III-Federal Award Findings and Questioned Costs (continued)

Finding 2021-102 Preparation of Schedule of Expenditures of Federal Awards (Repeat Finding) (Material Weakness, Compliance Finding)

Assistance Listing Number:	21.019
Cluster Title:	N/A
Program Titles:	Coronavirus Relief Funds
Federal Agency:	U.S. Department of Treasury
Award Year:	2020
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None

Criteria: Uniform Guidance, requires that the County identify in its accounts all federal awards expended. This Circular also requires award identification to include, as applicable, the Assistance Listing title and number, the award number and years, the name of the federal granting agency, and the name of the pass-through entity.

Condition and context: The Schedule of Expenditures of Federal Awards (SEFA) was not complete as it did not identify all federal grants and included the wrong expenditure amounts for some grants. Revisions to the SEFA were necessary that resulted in material grant expenditures that were reported improperly on originally provided SEFA. This finding is similar to prior year finding 2020-102.

Cause: The County does not have adequate policies and procedures in place to ensure that all federal grants are identified and included on the SEFA with the correct expenditure amount.

Effect: The County's initial SEFA was not prepared in accordance with Uniform Guidance.

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received. Also, a thorough review of the general ledger should be performed to ensure that all federal awards are identified and reported on the SEFA.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section III-Federal Award Findings and Questioned Costs (continued)

**Finding 2021-103 Allocation of Forest Reserve Funds (Repeat Finding)
(Material Weakness, Compliance Finding)**

Assistance Listing Number:	10.665
Cluster Title:	Forest Service Schools and Roads Cluster
Program Title:	Schools and Roads – Grants to States
Federal Agency:	U.S. Department of Agriculture
Award Year:	2021
Award Number:	None
Compliance Requirements:	Special Tests and Provisions
Question Costs:	None

Criteria: Arizona Revised Statutes (A.R.S.) 11-497 requires that the counties' share of pass-through forest reserve monies from the United States be disbursed for the benefit of public schools and public roads at the direction of the board of supervisors. Further, a county may allocate a disproportionate amount of forest reserve monies between public schools and public roads as long as both categories receive a real benefit.

Condition and context: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$558,547 to public school districts. This finding is similar to prior year finding 2020-103.

Cause: The cause is that the Apache County Board of Supervisors decided that the County public schools had a greater need for funding than roads projects.

Effect: The effect is that the County did not expend a portion of the grant monies on public roads and therefore knowingly continued to violate state statute.

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

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section III-Federal Award Findings and Questioned Costs (continued)

**Finding 2021-104 Allocation of Coronavirus Relief Funds Funds
(Material Weakness, Compliance Finding)**

Assistance Listing Number:	21.019
Cluster Title:	N/A
Program Titles:	Coronavirus Relief Funds
Federal Agency:	U.S. Department of Treasury
Award Year:	2020
Award Number:	None
Compliance Requirement:	Allowable Costs
Question Costs:	\$2,460,485

Criteria: Coronavirus Relief Fund Guidance for State, Territorial, Local and Tribal Governments as provided by the Department of Treasury indicates that grant expenditures should be used for expenditures not accounted for in the budget most recently approved. The funds may be used for payroll and related expenses of public employees that are not substantially dedicated to mitigating or responding to the Covid-19 public health emergency. However, the County should allocate expenses consistently within the County's policies using timesheets or other means of tracking actual time spent on the activities related to responding to the Covid-19 public health emergency.

Condition and context: The County used overall accounting data when allocating payroll and related expenses to the Coronavirus relief grant. The County first applied the grant funds to departments that met the definition of substantially dedicated employees. As there was remaining funds awarded the County applied the remaining funds to departments that would not meet the definition of substantially dedicated. These departments included the County attorney, constables, clerk of the court, probation and justice of the peace courts. The County did not maintain sufficient documentation to substantiate that employees within these departments were providing services relating to responding to the Covid-19 public health emergency. Expenses were not adequately defined by actual employee or pay period. Instead general payroll expenses were allocated from the departments identified. The total expenses allocated to the grant that did not meet the definition of substantially dedicated were \$2,460,485.

Cause: The County received guidance from the pass-through agency indicating that they could apply grant funds to the departments indicated. The County relied on this guidance when determining how to use the remaining funds, without first obtaining an understanding of the U.S. Department of Treasury requirements for the program.

Effect: The effect is that the County did not expend a portion of the grant monies in accordance with the Treasury department guidance. There was not adequate documentation maintained to ensure that expenses were used for allowable purposes as intended by the grant.

Recommendation: We recommend that the County establish policies and procedures to ensure that grant funds are used in accordance with grant agreements and other guidance. Adequate documentation should be maintained to ensure that expenses are substantiated and supported.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

County's Section

**Apache County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
Rural Business Development Grant	10.351	N/A	\$ 54,917	\$ -
<i>Passed through the Arizona Department of Health Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	ADHS16-106455	50,820	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS19-206555	81,074	-
<i>Passed through the Arizona Department of Forestry and Fire Management</i>				
Cooperative Forestry Assistance	10.664	17-LE-11030121-008	54,363	-
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	N/A	558,547	558,547
Community Facilities Loans and Grants	10.766	N/A	123,092	-
<i>Total U.S. Department of Agriculture</i>			922,813	558,547
<u>U.S. Department of Justice</u>				
<i>Passed through Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2016-VA-GX-0046	83,193	-
<i>Passed through Arizona Criminal Justice Commission</i>				
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	ACESF-21-001	5,681	-
Bulletproof Vest Partnership Program	16.607	DC-19-001	790	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-19-020	238,545	-
<i>Total U.S. Department of Justice</i>			328,209	-
<u>U.S. Department of Treasury</u>				
<i>Passed through Arizona Office of the Governor</i>				
Coronavirus Relief Funds - COVID-19	21.019	COVID-19 None	4,907,378	-
<i>Total U.S. Department of Treasury</i>			4,907,378	-
<u>U.S. Department of Transportation</u>				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2020-PTS-001 2020-OP-001	15,436	-
<i>Total U.S. Department of Transportation</i>			15,436	-

See Accompanying Notes to Schedule.

Apache County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures	Amount Provided to Subrecipients
<u>Institute of Museum and Library Services</u>				
<i>Passed through Arizona State Library</i>				
Grants to States	45.310	NA	3,893	-
Total Institute of Museum and Library Services			<u>3,893</u>	<u>-</u>
<u>Election Assistance Commission</u>				
<i>Passed through Arizona Secretary of State's Office</i>				
2018 HAVA Election Security Grants	90.404	AZ18101001	19,623	-
Total Election Assistance Commission			<u>19,623</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Arizona Department of Health Services</i>				
Public Health Emergency Preparedness PPHF Capacity Building Assistance to Strengthen Public Health	93.069	ADHS17-133163	376,056	-
Immunization Cooperative Agreements	93.268	ADHS18-177674	60,281	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	ADHS18-177674	136,169	
Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	ADHS18-177674	192,596	-
Maternal and Child Health Services Block Grant to the States	93.994	ADHS16-097960	69,484	-
Total U.S. Department of Health and Human Services			<u>834,586</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Arizona Department of Emergency and Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4524 PW-005	9,632	
Emergency Management Performance Grants	97.042	EMP-2019-SP-00010	169,096	-
Pre-Disaster Mitigation	97.047	EMW-2019-SS-00002-S01	51,619	-
Total U.S. Department of Homeland Security			<u>230,347</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 7,262,285</u>	<u>\$ 558,547</u>

See Accompanying Notes to Schedule.

Apache County Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Apache County's federal grant activity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 – Assistance listing number

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings.

Note 4 - Indirect cost rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Corrective Action Plan



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

BOARD OF SUPERVISORS OF APACHE COUNTY

P.O. BOX 428
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CHAIRMAN OF THE BOARD
DISTRICT II
P.O. Box 994, Ganado, AZ 86505

TRAVIS SIMSHAUSER
MEMBER OF THE BOARD
DISTRICT III
P.O. Box 428, St. Johns, AZ 85936

Corrective Action Plan Year ended June 30, 2021

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

Financial Statement Findings:

Finding 2021-001 – Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)

Condition and Context: As noted in prior year's finding 2019-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, unearned revenue, revenues and expenditures resulted from our audit.

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

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional resources will be devoted to the financial reporting and audit process.

Anticipated Completion Date: May 2024

Corrective Action Plan - Continued

Finding 2021-002 – Cash Monitoring and Treasurer reconciliations (Material Weakness)

Condition and Context: During 2020, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer's records and the County's records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer's records of \$335,522.
- Errors were made in prior years whereby investments were reported at higher than fair market value. As a result, a prior period adjustment was recorded in the financial statements for fiscal year 2020.
- The cash on deposit at the courts and some other county departments totaling \$1,146,721 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at year end allowing potential for unrecorded transactions.

Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional procedures will be implemented to ensure all cash accounts are appropriately reconciled and recorded.

Anticipated Completion Date: May 2024

Finding 2021-003 – Improve Budgetary Controls (Repeat Finding) (Material Weakness)

Condition and Context: During 2021, there were nine (9) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2020-003.

The County exceeded its budget for the general fund by \$2,759,366. The road fund was under budget by \$2,277,609. The County's budget reports a total contingency line item budgets of \$5,364,499 in which only \$1,047,737 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.

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

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional procedures have been implemented to ensure budget capacity before issuing payment. The County’s contingency line item budget is only used for unexpected expenditures.

Anticipated Completion Date: May 2024

Federal Award Findings:

**Finding 2021-101 – Single Audit Reporting Package Not Files Timely (Repeat Finding)
(Material Weakness)**

CFDA Numbers: 21.019
Program Titles: Coronavirus Relief Funds
Federal Agency: U.S. Department of Treasury
Award Year: 2020
Award Number: None
Compliance Requirement: Reporting
Question Costs: None

Condition and context: The County’s single audit reporting package for the fiscal year ended June 30, 2021, was not submitted to the Federal Audit Clearinghouse within nine months after the County’s year-end or within the extended period. This finding is similar to prior year finding 2020- 101.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County’s submittal to the Federal Audit Clearinghouse.

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: Additional policies and procedures will be implemented to facilitate and improve the financial reporting process.

Anticipated Completion Date: May 2024

Corrective Action Plan - Continued

Finding 2021-102 - Preparation of Schedule of Expenditures of Federal Awards (Material Weakness, Compliance Finding)

CFDA Numbers: 21.019
Program Titles: Coronavirus Relief Funds
Federal Agency: U.S. Department of Treasury
Award Year: 2020
Award Number: None
Compliance Requirement: Reporting
Question Costs: None

Condition and context: The Schedule of Expenditures of Federal Awards (SEFA) was not complete as it did not identify all federal grants and included the wrong expenditure amounts for some grants. Revisions to the SEFA were necessary that resulted in material grant expenditures that were reported improperly on the original SEFA. This finding is similar to prior year finding 2020-102

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received. Also, a thorough review of the general ledger should be performed to ensure that all federal awards are identified and reported on the SEFA.

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: The County Finance Department will regularly conduct a review of the general ledger and coordinate with the other county departments to ensure that all federal grants are properly included on the SEFA.

Anticipated Completion Date: May 2024

Finding 2021-103 - Allocation of Forest Reserve Funds (Repeat Finding) (Material Weakness, Compliance Finding)

CFDA Number: 10.665
Program Title: Schools and Roads – Grants to States
Federal Agency: U.S. Department of Agriculture
Award Year: 2021
Award Number: None
Compliance Requirement: Special Tests and Provisions
Question Costs: None

Condition and context: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed

the entire annual allocation of \$558,547 to public school districts. This finding is similar to prior year finding 2019-102.

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

Contact Name: Timothy Hinton, Finance Director

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

Anticipated Completion Date: May 2024

Finding 2021-104 - Allocation of Coronavirus Relief Funds Funds (Material Weakness, Compliance Finding)

CFDA Number: 21.019
Program Title: Coronavirus Relief Funds
Federal Agency: U.S. Department of Treasury
Award Year: 2020
Award Number: None
Compliance Requirement: Allocated Costs
Question Costs: \$2,460,485

Condition and context: The County used overall accounting data when allocating payroll and related expenses to the Coronavirus relief grant. The County first applied the grant funds to departments that met the definition of substantially dedicated employees. As there was remaining funds awarded the County applied the remaining funds to departments that would not meet the definition of substantially dedicated. These departments included the County attorney, constables, clerk of the court, probation and justice of the peace courts. The County did not maintain sufficient documentation to substantiate that employees within these departments were providing services relating to responding to the Covid-19 public health emergency. Expenses were not adequately defined by actual employee or pay period. Instead general payroll expenses were allocated from the departments identified. The total expenses allocated to the grant that did not meet the definition of substantially dedicated were \$2,460,485.

Recommendation: We recommend that the County establish policies and procedures to ensure that grant funds are used in accordance with grant agreements and other guidance. Adequate documentation should be maintained to ensure that expenses are substantiated and supported.

Contact Name: Timothy Hinton, Finance Director

Corrective Action Planned: The County's allocation of funds followed the guidance provided by the State of Arizona. The County will review Federal guidance in determining how grant funds are to be allocated.

Anticipated Completion Date: May 2024

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

Summary Schedule of Prior Audit Findings

We have prepared the accompanying summary schedule of prior year findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs.

The findings below are numbered with the finding numbers assigned in the 2019 schedule of findings and questioned costs.

Financial Statement Findings:

Finding 2020-001 – Untimely Account Reconciliation and Financial Statement Preparation (Material Weakness)

Condition and Context: As noted in prior year's finding 2020-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, unearned revenue, revenues and expenditures resulted from our audit.

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

Status: Not corrected. See current year corrective action for finding 2021-001.

Summary Schedule of Prior Audit Findings (continued)

Finding 2020-002 – Cash Monitoring and Treasurer Reconciliations (Material Weakness)

Condition and Context: During 2020, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer's records and the County's records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer's records of \$335,522.
- Errors were made in prior years whereby investments were reported at higher than fair market value. As a result, a prior period adjustment was recorded in the financial statements for fiscal year 2020.
- The cash on deposit at the courts and some other county departments totaling \$1,146,721 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at yearend allowing potential for unrecorded transactions.

Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

Status: Not corrected. See current year corrective action for finding 2021-002.

Finding 2020-003 – Improve Budgetary Controls (Material Weakness)

Condition and Context: During 2020, there were six (6) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2019-002.

The County appears to be under budget for the general fund by \$8,418,121 and the road fund by \$2,943,321. The junior college fund overexpended its budget by \$124,482. The County's budget reports a total contingency line item budgets of \$3,733,260 in which only \$85,550 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over expenditures in other departments.

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

Status: Not corrected. See current year corrective action for finding 2021-003.

Summary Schedule of Prior Audit Findings (continued)

Finding 2020-101 – Single Audit Reporting Package Not Filed Timely (Material Weakness)

Condition and Context: The County's single audit reporting package for the fiscal year ended June 30, 2020, was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end or within the extended period. This finding is similar to prior year finding 2019-101.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the Federal Audit Clearinghouse

Status: Not corrected. See current year corrective action for finding 2021-101.

Finding 2020-102 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness, Compliance Finding)

Condition and Context: The Schedule of Expenditures of Federal Awards (SEFA) was not complete as it did not identify all federal grants and included the wrong expenditure amounts for some grants. Revisions to the SEFA were necessary that resulted in an additional \$365,587 of grant expenditures that were added to the originally provided SEFA.

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received. Also, a thorough review of the general ledger should be performed to ensure that all federal awards are identified and reported on the SEFA.

Status: Not corrected. See current year corrective action for finding 2021-102.

Finding 2020-103 – Allocation of Forest Reserve Funds (Material Weakness, Compliance Finding)

Condition and Context: Arizona Revised Statutes (A.R.S.) 11-497 requires that the counties' share of pass-through forest reserve monies from the United States be disbursed for the benefit of public schools and public roads at the direction of the board of supervisors. Further, a county may allocate a disproportionate amount of forest reserve monies between public schools and public roads as long as both categories receive a real benefit.

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

Status: Not corrected. See current year corrective action for finding 2021-103.