

LG 6.3:A 82 C 525 C 45/ 1997

*OFFICE OF THE AUDITOR GENERAL
STATE OF ARIZONA*

**COCONINO COUNTY, ARIZONA
Single Audit Reporting Package
June 30, 1997**



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COCONINO COUNTY, ARIZONA
Single Audit Reporting Package
June 30, 1997

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Issued separately

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

We have audited the general purpose financial statements of Coconino County as of and for the year ended June 30, 1997, and have issued our report thereon dated March 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-01, 97-02, 97-03, 97-04, and 97-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 97-01, 97-02, 97-03, and 97-04 to be material weaknesses. We also noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter.

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


Debbie Davenport
Auditor General

March 31, 2000



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

Compliance

We have audited the compliance of Coconino County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. The County's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 97-102 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding eligibility and reporting that are applicable to its Maternal and Child Health Services Block Grant to the States program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

As described in item 97-103 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed that are applicable to its Schools and Roads—Grants to States program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

As described in item 97-104 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding period of availability of funds and reporting applicable to its Special Supplemental Nutrition Program for Women, Infants, and Children program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, Coconino County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 97-101.

Internal Control over Compliance

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

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-101, 97-102, 97-103, and 97-104.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 97-102 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the County's general purpose financial statements as of and for the year ended June 30, 1997, and have issued our report thereon dated March 31, 2000. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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



Debbie Davenport
Auditor General

June 23, 2000, except for the
schedule of expenditures of federal
awards for which the date is March 31, 2000

COCONINO COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 1997

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through:			
Arizona Department of Education			
School Breakfast Program	10.553	KR960325 ALS	\$ 7,775
National School Lunch Program	10.555	KR960325 ALS	11,900
Commodity Supplemental Food Program	10.565	KR960325 ALS	2,936
Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	125132 #2	396,075
Commodity Supplemental Food Program	10.565	12-5144	8,156
Northern Arizona Council of Governments			
Nutrition Program for the Elderly (Commodities)	10.570	86 6000441BA	24,247
Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	None	<u>383,041</u>
Total U.S. Department of Agriculture			<u>834,130</u>
U.S. Department of Housing and Urban Development			
Passed through:			
Arizona Department of Economic Security			
Emergency Shelter Grants Program	14.231	E6307066	11,828
Arizona Department of Commerce			
HOME Investment Partnerships Program	14.239	109-93, 021-97	<u>174,116</u>
Total U.S. Department of Housing and Urban Development			<u>185,944</u>
U.S. Department of the Interior			
Payment in Lieu of Taxes	15.226		511,621
Taylor Grazing	15.unknown		<u>6,255</u>
Total U.S. Department of the Interior			<u>517,876</u>
U.S. Department of Justice			
Grants to Encourage Arrest Policies	16.590		22,317
Local Law Enforcement Block Grants Program	16.592		5,300
Public Safety Partnership and Community Policing Grants	16.710		44,054

(Continued)

See accompanying notes to schedule.

COCONINO COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 1997
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	None	\$ 8,176
Byrne Formula Grant Program	16.579	PC-090-95-96, PC-090-97, AL140-96	<u>211,331</u>
Total U.S. Department of Justice			<u>291,178</u>
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
Senior Community Service Employment Program	17.235	E6207060	99,370
Job Training Partnership Act	17.250	E5706027, E5707013, E5707022	<u>578,937</u>
Total U.S. Department of Labor			<u>678,307</u>
U.S. Department of Transportation			
Passed through the Flagstaff Metropolitan Planning Organization			
Public Transportation for Nonurbanized Areas	20.509	AZ-90-X044	<u>103,857</u>
U.S. Federal Emergency Management Agency			
Passed through the Arizona Department of Emergency and Military Affairs			
Emergency Management—State and Local Assistance	83.534	None	<u>40,072</u>
U.S. Department of Education			
Passed through the Arizona Department of Health Services			
Special Education—Grants for Infants and Families with Disabilities	84.181	761016	<u>21,715</u>

(Continued)

See accompanying notes to schedule.

COCONINO COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 1997
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed through:			
Northern Arizona Council of Governments			
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	86 6000441BA	\$ 13,031
Special Programs for the Aging—Title III, Part C—Nutrition Services	93.045	86 6000441BA, 86 6000441BB	91,875
Social Services Block Grant	93.667	86 6000441BA	123,497
Arizona Department of Health Services			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	08-5056, 08-5059	86,814
Immunization Grants	93.268	30-4058 #2	45,073
HIV Care Formula Grants	93.917	65-2042	102,841
HIV Prevention Activities—Health Department Based	93.940	65-2014	32,961
Preventive Health and Health Services Block Grant	93.991	752012	56,394
Maternal and Child Health Services Block Grant to the States	93.994	661079, 761007, 661107, 661016, 661007, 31-3039, 31-4235	266,637
Arizona Department of Economic Security			
Family Support Payments to States— Assistance Payments	93.560	E6307066	10,971
Low-Income Home Energy Assistance	93.568	E6307066	10,550
Community Services Block Grant	93.569	E6307066	95,021
Social Services Block Grant	93.667	E6307066	60,491
Total U.S. Department of Labor			<u>996,156</u>
U.S. Corporation for National and Community Service			
Passed through Arizona National and Community Service Division			
AmeriCorps	94.006	94-ASC-AZ-003	<u>14,900</u>
Total Expenditures of Federal Awards			<u>\$3,684,135</u>

See accompanying notes to schedule.

COCONINO COUNTY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 1997

Note 1 - Basis of Accounting

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 1997 *Catalog of Federal Domestic Assistance Update*.

Note 3 - Subrecipients

The County did not provide federal awards to subrecipients during the year ended June 30, 1997.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
		Yes	No
Material weaknesses identified in internal control over financial reporting?	<u>X</u>	___	
Reportable conditions identified not considered to be material weaknesses?	<u>X</u>	___	
Noncompliance material to the financial statements noted?	___	<u>X</u>	

Federal Awards

Material weakness identified in internal control over major programs?	<u>X</u>	___	
Reportable conditions identified not considered to be material weaknesses?	<u>X</u>	___	
Type of auditors' report issued on compliance for major programs:			Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads—Grants to States
14.239	HOME Investment Partnerships Program
15.226	Payment in Lieu of Taxes
17.250	Job Training Partnership Act
93.994	Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000	
Auditee qualified as low-risk auditee?	___	<u>X</u>	

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	___	
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COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

Financial Statement Findings

97-01

The County did not effectively use its general ledger accounting system

County management and the Board of Supervisors should have reliable, informative, and timely financial statements to effectively manage the County's finances and operations. External parties such as taxpayers and federal and state grantor agencies also rely on the information in the County's financial statements. However, the County did not properly compile, reconcile, and review financial data required for the timely issuance of the financial statements and single audit reporting package. As a result, the fiscal year 1996-97 general ledger contained numerous classification, mathematical, and posting errors and did not contain a number of the County's significant financial activities due to inadequate internal controls for processing financial transactions as evidenced by the following deficiencies. This condition impairs the usefulness of the financial statements to their users and we consider this to be a material weakness.

- The County failed to record financial activities of the General Long-Term Debt and General Fixed Assets Account Groups in the accounting system. The County also recorded the Internal Service Funds' June 30, 1997, amounts for fixed assets, accumulated depreciation, inventories, and compensated absences at the June 30, 1996, amounts.
- The County did not record accruals for insurance claims payable, property taxes and deferred revenues, at fiscal year-end.
- The Finance Department created numerous intrafund payables and receivables to force cash to agree with the County Treasurer's records instead of preparing a reconciliation showing the deposits in transit and outstanding warrants. As a result, the County did not have an accurate presentation of its cash balance.
- The amounts recorded as cash in bank and on hand in the general ledger did not agree to the amounts confirmed by the individual departments.
- Reconciliations were not performed to determine the propriety of accounting transactions (i.e., interfund payables/receivables, payroll, journal entries, cash receipts, and accounts payable) recorded on the Finance Department's system.
- Edit reports were not printed and maintained by the Finance Department. In addition, update reports were not reviewed after changes were made on the accounting system.

The County's financial statements were adjusted to correct significant errors. However, to help ensure that future financial statements are prepared accurately and in a timely manner, the County should implement the following policies and procedures.

- Take greater care to accurately compile all financial information in the accounting system and record accruals at year-end.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

- Prepare a reconciliation showing outstanding items in order to maintain the integrity of the cash balance.
- Ensure that a bank reconciliation is prepared and errors corrected in order to agree cash in bank and on hand in the general ledger to individual departments.
- Ensure that reconciliations are performed for the transaction cycles.
- Establish review responsibilities for changes made to the accounting system and maintain the supporting documentation.

97-02

The County's general ledger accounting system did not provide sufficient information to correctly report federal financial assistance programs

The County's general ledger accounting system did not provide sufficient information to report federal financial assistance programs in accordance with the requirements of the Single Audit Act. Federal financial assistance programs were commingled in the Special Revenue Funds because the Finance Department did not separately identify federal monies on the general ledger. As a result, financial activity for each federal financial assistance program had to be obtained from the grant records maintained by the grant managers. We consider this to be a material weakness.

In order to help ensure compliance with the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, Section .300(a), the County should establish a system to report the financial activity for each federal financial assistance program in the County's general ledger accounting system.

97-03

The County's internal controls over payroll were inadequate

The County did not adequately separate personnel and payroll functions, perform reviews and reconciliations during the processing of payroll transactions, or restrict access to personnel records as evidenced by the following.

- The Payroll Technician prepared and recorded payroll transactions and also received, verified, and distributed payroll warrants. In addition, the Payroll Technician made changes to employee records and prepared payroll reports without them being reviewed and approved by a supervisor.
- No reconciliation was performed between the payroll register and related reports, warrants, direct deposit transactions, and payroll information submitted to the Treasurer's Office for recording.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

- The employee who performed payroll functions had access to personnel information in the automated County Payroll System and had the ability to add new or fictitious employees to the system.

We consider this to be a material weakness.

Payroll functions should be adequately separated so no one person prepares, processes, verifies, and distributes the payroll. At a minimum, another employee should review the payroll register and payroll warrants prior to their distribution and reconcile the payroll reports. Furthermore, personnel and payroll responsibilities and records should be separated to prevent potential fictitious payroll transactions.

97-04
The County's internal controls
over fixed assets were inadequate

The County has not taken a physical inventory of fixed assets in ten years, resulting in inadequate accounting records and failure to safeguard and properly account for fixed assets. We consider this to be a material weakness. However, we expanded our audit test work in this area and were able to satisfy ourselves that the amounts reported in the General Fixed Asset Account Group and the Internal Service Funds on the general purpose financial statements were not materially misstated. To help ensure that fixed assets are properly recorded and physically accounted for and to comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (Common Rule, Subpart C, .32), the County should take a physical inventory of fixed assets at least every two years for federal assets and every three years for nonfederal assets, and reconcile such inventories to the fixed assets listings.

97-05
The County's written policies and procedures
for accounting applications were inadequate

Written policies and procedures provide the basic framework needed for establishing employee accountability. They serve as a reference tool for employees seeking guidance on the proper handling of complex or infrequent transactions and situations, thereby reducing the risk of errors and illegal acts occurring. However, the County did not adequately document the policies and procedures for cash receipts, disbursements, payroll, and journal entry accounting applications. Since written policies and procedures for these applications were not specific and had not been updated to include current practices, accounting transactions were more prone to errors, inconsistent treatment, and processing delays. County management should update the written policies and procedures for all accounting applications and provide detailed descriptions of employees' responsibilities and duties.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

Federal Award Findings and Questioned Costs

97-101
CFDA No.: 93.994 **Maternal and Child Health Services Block Grant to the States**
U.S. Department of Health and Human Services
Pass-through Entity: Arizona Department of Health Services
Award Year: July 1, 1996 through June 30, 1997
Award Numbers: 661079, 761007, 661107, 661016, 661007, 31-3039, 31-4235
Questioned Cost: N/A

The Coconino County Department of Health Services did not establish and maintain written internal control policies and procedures applicable to the Maternal and Child Health Services Block Grant to the States program. By applying auditing procedures, we determined compliance with laws, regulations and the provisions of grant agreements that had a direct and material effect on the program. Therefore, we consider this to be a reportable condition and not a material instance of noncompliance.

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

97-102
CFDA No.: 93.994 **Maternal and Child Health Services Block Grant to the States**
U.S. Department of Health and Human Services
Pass-through Entity: Arizona Department of Health Services
Award Year: July 1, 1996 through June 30, 1997
Award Number: 31-3039
Questioned Cost: \$67,441

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

- A complete population of the Family Planning Services program awards was not available, as the department did not maintain a listing of participants or separate participant files by fiscal year. Therefore, we were unable to determine if federal monies were awarded only to eligible participants.
- Supporting documentation for the Family Planning Services program monthly performance reports was not available. Therefore, we were unable to verify the information submitted on the report.

COCONINO COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 1997

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

To help ensure compliance with the administrative requirements of the Code of Federal Regulations Title 42, Part 92, Section 42, the Department should maintain sufficient programmatic records to administer the program and demonstrate compliance with the program's requirements.

97-103

CFDA No.: 10.665 **Schools and Roads—Grants to States**

U.S. Department of Agriculture

Pass-through Entity: Arizona State Treasurer

Award Year: July 1, 1996 through June 30, 1997

Award Number: None

Questioned Cost: \$415,364

The County transferred approximately \$415,364 of interest earned during fiscal year 1996-97 by the Schools and Roads—Grants to States program to the County General Fund. As a result, the interest transferred was available for unrestricted use instead of being restricted for the benefit of public schools and roads in accordance with Arizona Revised Statutes §11-497.

We consider this to be a material instance of noncompliance.

97-104

CFDA No.: 10.557 **Special Supplemental Nutrition Program for Women, Infants, and Children**

U.S. Department of Agriculture

Pass-through Entity: Arizona Department of Health Services

Award Year: July 1, 1996 through June 30, 1997

Award Number: 12-5132 #2

Estimated Questioned Cost: \$25,505

The Coconino County Department of Health Services did not remit approximately \$25,505 of unexpended program monies to the Arizona Department of Health Services (ADHS). Furthermore, the County did not maintain sufficient records to allow us to determine the award period for the monies. We consider this to be a material instance of noncompliance.

To help ensure compliance with the reporting and period of availability requirements of the Special Supplemental Nutrition Program for Women, Infants, and Children contract, the County should revert any program monies not expended at federal fiscal year-end to ADHS within 45 days of year-end.



COCONINO COUNTY ARIZONA

FINANCE DEPARTMENT

Michael F. Townsend
Director

October 5, 2000

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

Dear Ms. Davenport:

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

Sincerely,

Michael F. Townsend
Finance Director

Attachment

COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 1997

Financial Statement Findings

97-01

The County did not effectively use the general ledger accounting system

Contact Person: Mike Townsend

Phone Number: 520-779-6895

Anticipated completion date: 6/30/2001

The County is currently recording the activities of the General Long-term Debt and General Fixed Assets Account Groups. It has been the County's practice to record Internal Service Fund fixed assets, accumulated depreciation, inventories, and compensated absences amounts as post closing adjustments. The County will post those amounts prior to presenting the draft financial statements in the future.

It has also been the County's practice to record accruals for insurance claims and property taxes as post closing adjustments and to only record deferred revenues as financial statement adjustments. The County will post those amounts prior to presenting the draft financial statements in the future.

It has also been the County's practice to record changes in cash in bank and on hand as post closing adjustments. The County will post those amounts prior to presenting the draft financial statements in the future. The problems with the new system that resulted in the significant intrafund and interfund payables and receivables was resolved in FY 1998.

The County's financial system, Infisys from H.T.E., reconciles each journal entry by transaction type and balances every fund within each journal entry. Beginning with FY 2000 cash reconciliations are completed monthly for the County General Fund and 95% of the remaining funds between the treasurer's system and the Finance Department's system. Information is given to departments each month and it is their responsibility to reconcile any outstanding items.

The County has enhanced controls by retaining the approved supporting documentation and limiting the updating to the Finance Director and Accounting Managers.

The County will develop written policies and procedures for classifying revenues and expenditures and for accumulating, analyzing, and compiling financial statements. We will also take greater care to prepare accurate financial statements based on the compiled financial information and supporting schedules and establish review responsibilities for the completed financial statements before submitting them for audit.

COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 1997

97-02

The County's general ledger accounting system did not provide sufficient information to correctly report federal financial assistance programs

Contact Person: Holly Lindfors

Phone Number: 520-779-6707

Anticipated completion date: 6/30/2001

For fiscal year 2000, the County includes CFDA numbers in the fund descriptions and identifies federal revenues with segments of the revenue account number. Including the program titles in the fund description is not feasible. Identifying federal expenditures with a special code for federal expenditures would be very cumbersome for nonaccountants at the department level to use accurately. For fiscal year 2001 funds that include revenues from more than one grant source will be split up so that each fund is for only one grant.

97-03

The County's internal controls over payroll were inadequate

Contact Person: Eileen Moe

Phone Number: 520-779-6714

Anticipated completion date: 12/30/2000

1. These duties have been segregated. Payroll expenditures are updated to the General Ledger by the Accounting Manager. The PR Technician creates the warrants, the Accounting Manager verifies the warrants by reviewing the check numbers and signing off on the check signing register. The payroll warrants are distributed by the Senior Clerk. The Hours Proof Listing is reviewed intensively by the PR Technician. It has not been signed off in the past by the PR Technician, but this procedure will be implemented in FY 2001. The Accounting Manager reviews the Payroll Register. Since FY1999 the Accounting Manager has reviewed and signed off on the Payroll Register.
2. The PR Technician ties the amounts on the Payroll Register to the Direct Deposit Register and the Check Register. The register has not been signed off by her in the past, but it is a step that is done and the register will be signed off on in the future. The Accounting Manager will do a reconciliation on the Payroll Register. Department Heads and Business Managers have access to their General Ledger accounts on-line. They receive a copy of the Payroll Distribution report to verify to the General Ledger. Cash is reconciled for the General Fund and 95% of other funds on a monthly basis and reconciling will begin in FY 2001.
3. Procedures have been modified whereby all changes to employees' files except garnishments and service purchase agreements are being input by the Human Resources Department. The County is looking into changing the security of the Payroll Technician to delete the ability to "Add a New Employee".

**COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 1997**

97-04

The County's internal controls over fixed assets were inadequate

Contact Person: Holly Lindfors

Phone Number: 520-779-6707

Anticipated completion date: 6/30/2001

The County had an inventory taken by an outside vendor in FY2000. The County plans to take a complete physical inventory every two years. The County is in the process of developing a database program to track fixed assets.

97-05

The County's written policies and procedures for accounting applications were inadequate

Contact Person: Holly Lindfors

Phone Number: 520-779-6707

Anticipated completion date: Complete

Written policies and procedures have been developed for all accounting applications and were implemented in fiscal year 1999.

**COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 1997**

Federal Award Findings and Questioned Costs

97-101

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

Contact Person: Laura Talavera

Phone Number: 520-522-7950

Anticipated completion date: 12/31/2000

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

97-102

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

Contact Person: Laura Talavera

Phone Number: 520-522-7950

Anticipated completion date: 12/31/2000

The Arizona Department of Health Services' (ADHS) computerized reporting system FHAMIS was used to provide summary population information for the County. This ADHS system was not Y2K compliant and is no longer operational. A client listing by month will be kept beginning FY 2001.

Supporting documentation for the program's "Monthly Activity" reports may not have been readily available at the time of the audit visit but is currently maintained and available. The Health Department's Clinical Services Unit will work with the granting agency to determine what information they need to eliminate any questioned cost.

97-103

CFDA NO.: 10.665 Schools and Roads—Grants to States

Contact Person: Tara Paone

Phone Number: 520-779-6553

Anticipated completion date: Completed

This practice continued to be followed in FY 1998 and 1999. The use of the interest earnings by the General Fund was stopped in FY2000.

HEALTH DEPARTMENT
COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 1997

97-104

CFDA NO.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Contact Person: Mike Oxtoby

Phone Number: 520-522-7800

Anticipated completion date: 11/10/2000

The Coconino County Department of Health Services will review and reconcile their records to the County's general ledger and remit or account for the questioned costs by November 10, 2000.

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

[Signature]
Margaret E. Townsend
Finance Director

COCONINO COUNTY ARIZONA

FINANCE DEPARTMENT

Summary Schedule of Prior Audit Findings
Year Ended June 30, 1997

Michael F. Townsend
Director

October 5, 2000

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

Dear Ms. Davenport:

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

Sincerely,



Michael F. Townsend
Finance Director

Attachment



COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 1997

Status of Federal Award Findings and Questioned Costs

CFDA No. 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
U.S. Department of Agriculture, 1996
125132
Arizona Department of Health Services

Finding: The County did not obtain sufficient documentation to support the eligibility of children enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). For example, birth certificates or other identification documents were not obtained to verify the children's identities.

Status: Not corrected

On October 1, 1999, we implemented measures to comply with this requirement.

CFDA No. 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
U.S. Department of Agriculture, 1996
125132
Arizona Department of Health Services

Finding: The County did not establish procedures to remit unearned monies to the Arizona Department of Health Services (ADHS) for the WIC program; consequently, \$11,738 of unearned monies were not remitted.

Status: Corrected

CFDA No. 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
U.S. Department of Agriculture, 1996
125132
Arizona Department of Health Services

Finding: Of the 12 monthly Contractor's Expenditure Reports tested, 2 were submitted 32 and 62 days late and 1 was not submitted.

Status: Corrected

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 1997

CFDA No. 10.665 – Schools and Roads—Grants to States
U.S. Department of Agriculture, 1996
Arizona State Treasurer

Finding: The County transferred approximately \$361,847 of interest earned during fiscal year 1995-96 by the Schools and Roads—Grants to States program to the General Fund. The interest transferred was then available for unrestricted use instead of being restricted for the benefit of public schools and roads in accordance with the *Catalog of Federal Domestic Assistance* §10.665.

Status: Corrected

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

Finding: To help ensure participants were eligible for the Dental Services Program, as defined by the ADHS grant agreement, the County required completion of income verification statements. However, for 5 of 17 participant files tested, the income verification statements could not be located. In addition, for 1 of 17 participant files tested, the income verification statement was not dated evidencing that eligibility was determined prior to performing services.

Status: Corrected

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

Finding: The education services for the Dental Services Program reported in the monthly Activity Report were not adequately supported; therefore, we were unable to determine whether amounts reported were accurate.

Status: Not corrected

Starting July 2000 supporting information for the statistics contained in the Activity Reports is kept on file.

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 1997

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

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

Status: Not corrected

Family Planning staff will research this questioned cost and either provide documentation to eliminate the questioned cost or remit the questioned costs back to the agency by October 31, 2000.

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

Finding: Of the 9 Contractor's Expenditure Reports tested for the Children's Primary Care Services Program, the Prenatal Care Services Program, and the Dental Services Program, 4 were submitted between 38 and 104 days late.

Status: Not corrected

The Clinical Service Manager is working on a system to monitor the timely submission of Contractor's Expenditure Reports.

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

Finding: Of the 6 monthly Activity Reports tested for the Children's Primary Care Services Program and the Prenatal Care Services Program, 2 were submitted 50 and 57 days late. In addition, a monthly Activity Report was not submitted for the Children's Primary Care Services Program for 3 of 6 months tested.

Status: Not corrected

The Clinical Service Manager is working on a system to monitor the timely submission of Activity Reports.

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 1997

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

Finding: The County did not prepare and retain the following documentation required by the ADHS grant agreements.

- For 1 of 13 participant files tested for the Family Planning Services Program, a completed Encounter Form documenting the types of services provided could not be located.
- For 2 of the 5 Newborn Intensive Care participant files tested for the Community Nursing Services Program, documentation supporting the distribution of Parent Satisfaction Surveys to the participant's parents could not be located.

Status: Corrected