



Single Audit Act Reports and
Schedule of Expenditures of Federal Awards
June 30, 2011

Town of Buckeye, Arizona

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Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and Town Council of the
Town of Buckeye, Arizona
Buckeye, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Buckeye, Arizona (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 29, 2011. As noted in the financial statements, the Town applied an adjustment to beginning fund balances and net assets to correct capital assets and long-term debt. In addition, the Town implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011 as discussed in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Title 28, Chapter 18, Article 2 of the Arizona Revised Statutes.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Town as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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. We identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the Town's internal control described in the accompanying schedule of findings and questioned costs as 11-1, 11-2, and 11-3 to be material weaknesses in internal control over financial reporting.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as 11-4 and 11-5 to be significant deficiencies.

Compliance and Other Matters

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

Arizona Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council, management, and 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.



Phoenix, Arizona
November 29, 2011

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

To the Honorable Mayor and Town Council of the
Town of Buckeye, Arizona
Buckeye, Arizona

Compliance

We have audited the compliance of the Town of Buckeye, Arizona (the Town) 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, 2011. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 Town's compliance with those requirements.

As described in item 2011-06 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding federal reporting under Section 1512 of the American Recovery and Reinvestment Act that are applicable to its COPS Hiring Recovery Program (CHRP) - CFDA 16.710 and American Recovery and Reinvestment Act (ARRA) Assistance to Firefighters Grant - CFDA 97.115. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town 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, 2011.

Internal Control over Compliance

The management of the Town 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 Town'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 the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance 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 noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-06 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-07 to be a significant deficiency.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 29, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Town Council, management, and 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.

Eide Bailly LLP

Phoenix, Arizona
November 29, 2011

Town of Buckeye, Arizona
Schedule of Expenditures of Federal Awards
June 30, 2011

Grantor Agency	Federal CFDA Number	Agency or Pass-through Contract Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Arizona Department of Housing and Urban Development</i>			
Community Development Block Grant	14.218	DG0901	\$ 154,304
<u>U.S. Department of Health & Human Services</u>			
<i>Passed through Maricopa County Department of Health and Human Services</i>			
Social Services Block Grant	93.667	SX10	\$ 113,002
ARRA - Community Services Block Grant	93.710	CXSO	27,895
<i>Passed through Arizona Department of Health and Human Services</i>			
<i>Aging Cluster</i>			
Special Programs for the Aging Title III-B, Grants for Supportive Services and Senior Centers	93.044	AAA	17,000
Special Programs for the Aging Title III-C, Nutrition Services	93.045	AAA	146,185
Nutrition Services Incentive Program (NSIB)	93.053	AAA	14,833
Total Aging Cluster			178,018
Total U.S. Department of Health & Human Services			\$ 318,915
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	04-0005-013	\$ 51,902
Airport Improvement Program	20.106	04-0005-014	10,358
Airport Improvement Program	20.106	04-0005-015	391,348
Total U.S. Department of Transportation			\$ 453,608
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant - Staffing for Adequate Fire & Emergency Response	97.044	EMW-06-FF04456	\$ 74,520
Assistance to Firefighters Grant - Fire Prevention and Safety	97.044	EMW-2009-FP-00582	2,329
			76,849
ARRA - Assistance to Firefighters Grant - Verrado Fire Station	97.115	EMW-2009-FC-03256R	385,455
<i>Passed through Arizona Department of Homeland Security</i>			
Homeland Security Grant Program - TLO Sustainment	97.067	777903-01	723
Homeland Security Grant Program - Buckeye PD Security Enhancements	97.067	777803-02	50,000
			50,723

Town of Buckeye, Arizona
Schedule of Expenditures of Federal Awards
June 30, 2011

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Contract Number</u>	<u>Federal Expenditures</u>
Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	97.077	Not Applicable	<u>34,955</u>
Total U.S. Department of Homeland Security			<u>\$ 547,982</u>
<u>U.S. Department of Justice</u>			
ARRA - COPS Hiring Recovery Program	16.710	2009RKWX0075	<u>156,205</u>
<i>Passed through Maricopa County Sheriff's Office</i> ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) - (MCNNET)	16.804	C-50-10-055-3-00	<u>4,057</u>
Total U.S. Department of Justice			<u>\$ 160,262</u>
<u>U.S. Department of Education</u>			
<i>Passed through Governor's Office of Economic Recovery</i> ARRA - State Fiscal Stabilization Fund - Fire Department Overtime	84.397	OER-11-IGA-GS-54	35,000
ARRA - State Fiscal Stabilization Fund - Police Department Storage Units	84.397	Not Applicable	<u>13,120</u>
Total U.S. Department of Education			<u>\$ 48,120</u>
<u>Environmental Protection Agency</u>			
<i>Passed through Water Infrastructure Finance Authority of AZ</i> ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan #91A140-10	<u>\$ 9,350,093</u>
Total Federal Expenditures			<u>\$ 11,033,284</u>

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Buckeye, Arizona, and is presented on the 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*.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified	Yes
Type of auditor's 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 .501(a)	Yes

Identification of major programs:	<u>CFDA Number</u>	
COPS Hiring Recovery Program	16.710 - ARRA	\$ 156,205
Capitalization Grants for Clean Water State Revolving Funds	66.458 - ARRA	9,350,093
Assistance to Fire Fighters Grant	97.115 - ARRA	385,455
		<u>\$ 9,891,753</u>

Dollar threshold used to distinguish between Type A and Type B programs	\$ 330,999
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

Material Weakness

11-1 Preparation of Financial Statements

Criteria or Specific Requirement: A good system of internal control contemplates the preparation of financial statements including the relevant footnote disclosures.

Condition: The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the Town's financial statements and accompanying notes to the financial statements.

Context: This finding impacts the Town's ability to internally prepare their financial statements.

Effect: The financial disclosures in the financial statements could be incomplete.

Cause: The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation: This circumstance is not unusual in a Town of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response: The Finance Department agrees with this finding. However, given expected continuing budget constraints on staffing, the Finance Department cannot commit that they will be able to prepare Town financial statements internally in future years, but will continue to provide training and take other steps to increase the Department's direct involvement in annual financial statement preparation.

11-2 Material Audit Adjustments

Criteria or Specific Requirement: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Town's existing internal controls, and therefore could have resulted in a material misstatement of the Town's financial statements.

Context: This finding impacts the Town's internal control for all significant accounting functions.

Effect: A material misstatement of the Town's financial statements that would not be prevented or detected.

Cause: Town of Buckeye does not have an internal control system designed to identify all necessary adjustments.

Recommendation: A thorough review and reconciliation of accounts should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Response: The Finance Department agrees with this finding. We have shifted some duties since the mistake was found and hopefully can eliminate future occurrences.

11-3 Prior Period Adjustment

Criteria or Specific Requirement: An accounting system identifies material adjustments in the correct period.

Condition: Prior period adjustments related to the proper and timely recognition of capital assets and the proper classification of debt obligations in governmental activities were identified during the current year. Certain adjustments were identified by the Town and other adjustments were identified by the auditor.

Context: This finding impacts the Town's internal control for all significant accounting functions.

Effect: A material misstatement of the Town's financial statements in previous years that was not prevented or detected by the Town's internal control system.

Cause: At the end of the fiscal year, the Town's finance department dedicated resources to reviewed capital asset transactions for the purpose of determining transactions were timely and properly recorded and for identifying any potential adjustments impacting the current and prior years. However, the Town does not have adequate resources and, by extension, an internal control system designed to identify all necessary adjustments.

Recommendation: The Town should continue to perform a thorough review and reconciliation of accounts throughout the year and prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Response: The Finance department agrees with this finding and will continue to review accounts throughout the year. Based on the limited resources available, we cannot say with certainty all accounts can be reviewed with such detail. It is challenging to review your own work at times, and not all activities can be delegated to others. Hopefully as the economic picture changes to the positive we will be able to increase our staff size and address the issues in greater detail.

Significant Deficiency

11-4 Segregation of Duties

Criteria or Specific Requirement: An appropriate system of internal control allows for the reasonable and adequate separation of duties within accounting and finance functions.

Condition: The Town has a limited number of accounting personnel due to budgetary constraints and, accordingly, lacks adequate internal controls due to a limited segregation of duties.

Context: This finding impacts the Town's internal control for all significant accounting functions.

Effect: This lack of proper segregation of duties could adversely affect the Town's ability to properly record, process, summarize and report financial information and to safeguard its resources.

Cause: The lack of segregation of duties is not unusual in a town the size of Buckeye, Arizona, given the small number of staff available to provide resources to ensure adequate segregation of accounting functions.

Recommendation: We recommend management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge and oversight of the operations.

Response: The Finance department agrees with the finding.

11-5 Capital Assets

Criteria or Specific Requirement: Capital assets are a significant accounting area for the Town. A strong internal control structure and reconciling system should be implemented over this area to ensure that all significant activity is properly identified and accounted for.

Condition: During the fiscal year, the Town made a noticeable effort to improve upon its controls and processes surrounding the identification and proper recording of capital assets. Prior to the commencement of audit fieldwork, the Town's Finance Department had identified the majority of the adjustments to capital asset balances through the review of asset detail and supporting documentation and through the preparation of related audit schedules. However, material audit adjustments in the current year and prior years were identified by the auditor throughout fieldwork and several potential internal control matters were noted.

Context: This finding impacts the Town's internal control for capital asset activities.

Effect: Material audit adjustments in the area of capital assets continue to be identified during audit fieldwork, which signifies that the Town's internal control system does not serve to prevent and detect such misstatements.

Cause: Given the size of the Town's finance department, there are limited resources to apply to the reconciliation of capital asset activity throughout the year.

Recommendation: We encourage the continued improvement of controls and implementation of reconciling processes in the area of capital assets and therefore recommend the following:

- The Finance Department should perform quarterly reviews and reconciliations of capital asset activity to ensure the timely and proper recording of such activity. This process should include the recalculation and recording of depreciation expense. The quarterly process should culminate with a review of reconciliations and resulting entries by an individual independent of their preparation.
- On a quarterly basis, minutes of Town Council meetings should be reviewed to identify the acceptance of donated assets, including easements, right of ways, and other intangible assets. All easements, right of ways, and other identified intangible assets should be recorded based on a consistent valuation methodology developed and implemented by the Finance Department.
- The assessed value of donated streets and water and sewer assets should be evaluated annually and consistently applied based on documentation to support fair market values of such assets on the date of donation.
- On a quarterly basis, or at least annually, the Town should reconcile the Investment in General Fund Fixed Assets account to properly reflect contributed capital and amounts invested in capital assets. In addition, capital outlay and capital contributions should be reviewed and reconciled for governmental activities. Capital contributions for proprietary funds should likewise be reviewed and reconciled to ensure amounts are properly recognized.

- The Town should continue to review long outstaying Construction-in-Progress (CIP) balances to identify completed projects that need to be transferred to fixed assets or stalled projects that should be expensed.
- The Town should consider acquiring a fixed asset system to account for and monitor its physical assets and related depreciation as currently all asset activity is manually maintained within an Excel spreadsheet.

Response: The Finance department agrees with the finding. We have made improvements from the prior year, but are still implementing changes. We will have the spreadsheet set-up by another person who will double check the formulas, etc. Based on our limited staff it is difficult to try and reconcile it on a quarterly basis, but we will do our best. We have already started to compile a copy of the council actions related to easements, ROW and donated capital. Hopefully this will assist us at year-end to ensure we have all areas covered. It is difficult to know exactly what projects should be expensed at this time since funding is limited due to the economy. As time goes on, communication with other departments will have to occur to make sure finance receives all necessary information.

Section III – Federal Award Findings and Questioned Cost

Material Weakness

11-6 Reporting

COPS Hiring Recovery Program (CHRP) CFDA 16.710
American Recovery and Reinvestment Act (ARRA) Assistance to Firefighters Grant CFDA 97.115

Criteria or Specific Requirement: Federal compliance provisions require periodic financial reporting in accordance with requirements specific to the program as well as with requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009 (the Recovery Act). Such provisions specify the type of reporting as well as the frequency and timing of reporting. In order to comply with federal financial reporting requirements, the recipient of federal funds must maintain accurate and complete financial records of expenditures incurred and funds reimbursed.

Condition: During the fiscal year, the Town submitted quarterly reports in accordance with Section 1512 of the Recovery Act. In addition, the Town submitted quarterly Federal Financial Reports in accordance with requirements specific to the program. While appropriate reports were timely submitted during the year, amounts reported for total Federal amount of Recovery funds expended were incorrect. Specifically, CHRP expenditures reported related to the Town's third quarter submission under Section 1512 of the Recovery Act as well as the Town's second, third and fourth quarter submissions of the Federal Financial Report were incorrectly stated.

Effect: Federal expenditures were incorrectly reported by \$262,155 in total.

Cause: Prior to December 2010, the Town did not have a program administrator monitoring expenditures and reimbursements related to Public Safety Federal grant awards, including both CHRP and the ARRA Assistance to Firefighters grants. Furthermore, the manual nature of tracking and reporting allowable Federal expenditures for the CHRP grant creates a significant risk that reported amounts will be improper. Compounding the risk of the manual methodology used to track expenditures for the CHRP grant, Federal and other programmatic reports are not reviewed by an individual independent of their preparation prior to submission of such reports.

Recommendation: We recommend that the Town implement a systematic and timely process to record expenditures related to Federal grant awards in order to reduce the dependency on manual calculations. Furthermore, we recommend that all expenditures charged to Federal grant award programs are reviewed and that related Federal and programmatic report submission are also reviewed by an individual independent of their preparation.

Response: The Town agrees with this finding and corrective action has been taken. We now have a Grant Administrator on staff, and all reports and reimbursement requests are filed in a timely manner. Since we were made aware of the deficiency, we have instituted a review process. All calculations of expenditures used for reimbursement requests and quarterly reporting purposes are reviewed by Finance prior to submittal.

Manual calculations of expenditures will still be required. However, they will be conducted on a more frequent basis (i.e. bi-weekly). Upon completion of calculations, Finance will review for accuracy. Once all calculations have been reviewed and finalized, a journal entry will be completed to move the expenditures into the related grant account. The expenditures in the related grant account can then be used when preparing the reimbursement request. A review of the quarterly reimbursement request will be conducted by Finance prior to submittal.

Significant Deficiency

11-7 Cash Management

COPS Hiring Recovery Program (CHRP) CFDA 16.710

Criteria or Specific Requirement: The CHRP Federal grant program is funded on a reimbursement basis. Federal compliance provisions require that costs for which reimbursement of Federal funds is requested must be paid prior to the date of the reimbursement request.

Condition: We did not identify any specific instances of noncompliance with Federal requirements. However, we noted that reimbursement requests are submitted by the Town to the Federal awarding agency prior to underlying expenditures and the amount requested for reimbursement being reviewed and approved by an individual independent of the expenditure recording and reimbursement request process.

Effect: A risk exists that Federal funds could be requested and received by the Town for unallowable expenditures or for expenditures that have yet to be incurred or paid.

Cause: Prior to December 2010, the Town did not have a program administrator monitoring expenditures and reimbursements related to Public Safety Federal grant awards, including the CHRP grant.

Recommendation: We recommend that the Town implement a process by which underlying Federal expenditures and requests for Federal reimbursements be reviewed and approved by an independent individual prior to submission of requests for reimbursements.

Response: The Town agrees with this finding and corrective action has been taken. We now have a Grant Administrator on staff, and all reports and reimbursement requests are filed in a timely manner. Since we were made aware of the deficiency, we have instituted a review process. All calculations of expenditures used for reimbursement requests are reviewed by Finance prior to submittal.

Section IV – Follow-Up on Prior Findings

Material Weakness

10-4 Reporting

COPS Hiring Recovery Program (CHRP) CFDA 16.710

Water Infrastructure Finance Authority (WIFA) Recovery Loan Program CFDA 66.458

Recommendation: We recommend that the Town implement formal processes by which all loan and grant agreements are reviewed to identify federal funding, specifically funding under the Recovery Act, and related federal compliance requirements. Furthermore, we recommend that all expenditures under federal loan and grant programs be tracked and captured for proper presentation within the Schedule of Expenditures of Federal Awards.

Status of Corrective Action Plan: The finding and recommendation for fiscal year 2010 federal awards were issued as part of the restated Single Audit Act Reports and Schedule of Expenditures of Federal Awards as of June 30, 2010. The expenditures incurred in fiscal year 2011 related to the federal awards programs were properly reflected in the Schedule of Expenditures of Federal Awards as of June 30, 2011.