



Restated Single Audit Act Reports and  
Schedule of Expenditures of Federal Awards  
June 30, 2013

**Town of Buckeye, Arizona**

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 1

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the general fund and major special revenue funds of the Town of Buckeye, Arizona (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 22, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2013-A and 2013-B to be 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as 2013-C and 2013-D to be significant deficiencies.

**Compliance and Other Matters**

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

**Town's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona  
November 22, 2013



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Buckeye, Arizona’s (the Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended June 30, 2013. 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.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for each of the Town’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 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town’s compliance.

**Basis for Qualified Opinion on Each Major Federal Program**

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding the U.S. Department of Housing and Urban Development Community Development Block Grant CFDA 14.218, the U.S. Department of Homeland Security Homeland Security Grant Program CFDA 97.067, and the Capitalization Grants for Drinking Water State Revolving Funds Program CFDA 66.468, as described in finding number 2013-001 and 2013-003 for Procurement, Suspension and Debarment. Compliance with this requirement is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

## **Qualified Opinion**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

## **Other Matters**

Subsequent to the issuance of the Town's 2013 financial statements and our report dated November 22, 2013, we became aware that certain test procedures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, had not been performed. Upon performing those procedures, we determined that findings 2013-003 and 2013-004 should be included within this report. We have also reissued the single audit report as of June 30, 2013. See Note 2 to the Schedule of Expenditures of Federal Awards.

## **Report on Internal Control over Compliance**

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

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2013-001, 2013-003, and 2013-004 to be material weaknesses.

*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 2013-002 to be a significant deficiency.

The Town's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Town as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Phoenix, Arizona

November 22, 2013, except for Capitalization Grants for Drinking Water State Revolving Funds CFDA  
66.468 dated November 24, 2014

Town of Buckeye, Arizona  
Restated Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Grantor Agency	Federal CFDA Number	Agency or Pass-through Contract Number	As Restated Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through the Maricopa County Human Services Department</i>			
Community Development Block Grant	14.218	DG1207	\$ 93,441
Total U.S. Department of Housing and Urban Development			<u>93,441</u>
<u>U.S. Department of Justice</u>			
ARRA - Public Safety Partnership and Community Policing Grants (COPS Hiring Recovery Program)	16.710	2009RKWX0075	51,581
Bulletproof Vest Partnership Program	16.607		4,031
<i>Passed through Maricopa County Sheriff's Office</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	C-50-10-055-3-00	<u>1,789</u>
Total U.S. Department of Justice			<u>57,401</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through the Governor's Office of Highway Safety</i>			
State and Community Highway Safety	20.600	2012-410-020 / 2013-410-008	34,264
State and Community Highway Safety	20.600	2012-PT-020	3,237
State and Community Highway Safety	20.600	2013-OP-014	<u>5,000</u>
Total U.S. Department of Transportation			<u>42,501</u>
<u>Environmental Protection Agency</u>			
<i>Passed through Water Infrastructure Finance Authority of Arizona</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920239-13	37,815
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920241-13	<u>173,503</u>
Total Environmental Protection Agency			<u>211,318</u>

Town of Buckeye, Arizona  
Restated Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Grantor Agency	Federal CFDA Number	Agency or Pass-through Contract Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through the Area Agency on Aging, Region One, Inc.</i>			
Aging Cluster			
Special Programs for the Aging Title III-B, Grants for Supportive Services and Senior Centers	93.044	AAA	65,415
Special Programs for the Aging Title III-C, Nutrition Services	93.045	AAA	57,886
Nutrition Services Incentive Program	93.053	AAA	<u>15,381</u>
Total Aging Cluster			138,682
Social Services Block Grant	93.667	AAA	1,782
Total U.S. Department of Health & Human Services			<u>140,464</u>
<u>Executive Office of the President</u>			
<i>Passed through Maricopa County Sheriff's Office</i>			
High Intensity Drug Trafficking Areas Program	95.001		<u>\$ 11,795</u>
Total Executive Office of the President			<u>11,795</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	888802-01	288
Homeland Security Grant Program	97.067	888801-01	98,557
Homeland Security Grant Program	97.067	777802-02	47,854
Homeland Security Grant Program	97.067	999800-01	18,694
Homeland Security Grant Program	97.067	999801-01	<u>30,670</u>
Total U.S. Department of Homeland Security			<u>196,063</u>
Total Federal Expenditures			<u><u>\$ 752,983</u></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*.

**Note 2 - Restatement**

The Town's 2013 single audit report was reissued to add CFDA #66.468 – Capitalization Grants for Drinking Water State Revolving Funds program to the schedule of expenditures and federal awards. The Capitalization Grants for Drinking Water State Revolving Funds program was audited as a major program. As a result of our testing, we reported a qualified opinion on the Capitalization Grants for Drinking Water State Revolving Funds program CFDA #66.468 and material weaknesses were added to the Schedule of Findings and Questioned Costs as findings 2013-003 and 2013-004.

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued	Unmodified
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	
Community Development Block Grant	Qualified
Homeland Security Grant Program	Qualified
Capitalization Grants for Drinking Water State Revolving Funds	Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes
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Identification of major programs:	<u>CFDA Number</u>
Community Development Block Grant	14.218
Homeland Security Grant Program	97.067
Capitalization Grants for Drinking Water State Revolving Funds	66.468

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
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Auditee qualified as low-risk auditee	No
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## **Section II – Financial Statement Findings**

### **Material Weakness**

#### **2013-A 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.

#### **2013-B 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, Arizona 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 are not at a staffing level that would allow us to implement any additional changes at this time. Due to the lack of staff, management is required to be part of the month-end-close and is therefore reviewing work completed by them. This makes it difficult to find all the additional adjustments required; however, greater focus will be placed on additional reviews moving forward.

### **Significant Deficiency**

#### **2013-C 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 continued to make noticeable efforts to improve upon its controls and processes surrounding the identification and proper recording of capital assets. However, a material audit adjustment in the current year was identified by the auditor during fieldwork and 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 a review of Construction-in-Progress (CIP) balances to identify completed projects, as well as 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.
- Donated street assets should be evaluated annually for additional related conveyed assets and a systematic approach to the valuation of donated assets should be devised and consistently implemented.
- 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 this finding. We continue to review our work diligently, but with the lack of staff, it is very difficult to find all errors. We hope to have an additional staff member review the capital assets going forward to further reduce findings.

## 2013-D Procurement

*Criteria or Specific Requirement:* As a town incorporated in the State of Arizona, the Town's procurement processes are subject to certain state procurement statutes and state administrative codes including Arizona Revised Statutes Titles 34 and 41 and Arizona Administrative Code Title 2. Certain of the town's procurements are funded wholly or partially by monies originating from federal grants and therefore subject to certain federal compliance provisions under the Federal Office and Management and Budget Circulars 87, 102, and 133; and the Code of Federal Regulations Title 2. The Town has established certain policies and procedures in the form of a procurement code to ensure compliance with state and federal requirements and establish their own processes and methodologies regarding procurement actions.

*Condition:* During the course of our audit procedures we determined the following:

Regarding the procurement process and policies overall:

- The Town's procurement code is not currently compliant with applicable state and federal procurement requirements. Specifically it was determined through review of the town procurement code that the code does not allow proposals to be opened publicly which is in violation of Arizona Administrative Code R2-7-306; and that the town policies do not encompass "alert[ness] to organizational conflicts of interest" and "exclusion of contractors that develop or draft specifications, requirements, statements of work, invitations for bids, and/or requests for proposals from competing for awards..." which is violation of 2CFR 215.43.

Regarding specific procurement actions tested:

- Advertising for RFQs, RFPs, and RFBs, are not always compliant with Town code. This was evidenced in three of three such procurement transactions tested.
- In testing one procurement action acquiring professional services it was determined that the town is not supplying with the request for qualification a uniform format for statements of qualification which is required per the town procurement code.
- In testing one procurement action acquiring professional services it was determined that documentation was not maintained of the determination of the best qualified offering services at a fair and reasonable compensation which is required per the town and state procurement codes.
- It was determined in testing one procurement action acquiring professional services that advertising of the list of technical registrants for those interested in performing work for the Town does not occur annually in the official newspaper of the town as required per the town procurement code.
- It was determined in testing of one procurement action acquiring professional services that the listing of technical registrants is not notified annually of their status and invited to update their professional qualifications as required by the town procurement code.
- Per Arizona Administrative Code R2-7-301 when the competitive process is accomplished through requests for proposals versus bids documentation must be maintained relating the reason bidding was not more advantageous or was not practicable. In two of two procurements accomplished through the proposal process tested, this documentation was not maintained.

- Emergency procurements exempt the purchaser from standard procurement procedures only in limited and specific circumstances as outlined in the authoritative literature. In one of two emergency procurements tested, the circumstances specified in the town code were met but the circumstances specified under ARS Title 41 Section 2537. Additionally in such circumstances it is required by town code and ARS Title 41 Section 2537 that documentation be maintained regarding the nature and selection of the contractor. No such documentation was maintained.
- It was determined that procurement actions are not always performed by the centralized procurement department. This was evidenced in one of the nine procurement transactions tested.

*Context:* This finding impacts the Town's internal control for procurement transactions.

*Effect:* We believe that the conditions noted above could result in the town being penalized by state and federal funding sources and a reduction in buying power.

*Cause:* The Town's limited staffing and insufficient training and empowerment of procurement staff has resulted in decentralized and noncompliant procurement actions.

*Recommendation:* We recommend a thorough review of current town policies, procedures, and best practices to be undertaken to bring the town into compliance with state and federal requirements and develop controls to ensure the policies, procedures, and best practices are followed.

*Response:* We agree with this finding. A Procurement Manager was hired and a review of current policies, procedures and best practices have started.

### **Section III – Federal Award Findings and Questioned Cost**

#### **Material Weakness and Material Noncompliance**

##### 2013-001 Procurement

U.S. Department of Housing and Urban Development Community Development Block Grant CFDA 14.218  
U.S. Department of Homeland Security Homeland Security Grant Program CFDA 97.067

*Criteria or Specific Requirement:* Procurements funded wholly or partially by monies originating from federal grants are subject to certain federal compliance provisions under the Federal Office of Management and Budget Circulars 87, 102, and 133; and the Code of Federal Regulations Title 2. The Town has established certain policies and procedures in the form of a procurement code to ensure compliance with state and federal requirements and establish their own processes and methodologies regarding procurement actions.

*Condition:* The following conditions were noted in testing procurement activities:

- Per town, state, and federal procurement standards, codes, and regulations, any procurement above \$100,000 must be subjected through a competitive bidding process. The one federal procurement in excess of \$100,000 was not subjected to a competitive bidding process. Additionally, the procurement was not subjected to any price analysis or reasonableness evaluation.
- Per 2 CFR 215 procurement actions of \$100,000 or more not accomplished through competitive bidding procedures require approval by the federal granting agency. This approval was not obtained for the one such procurement action tested.

- In one of four procurements tested that were partially or wholly funded by federal monies, there was no documentation maintained of verification of vendor status with the federal government.
- Two of four partially or wholly federally funded procurements did not include documentation of rationale for the basis of contractor selection and contract price as required per 2 CFR 215.

*Questioned Costs:* None.

*Context:* These instances of noncompliance prevent the town from ensuring the most advantageous procurement environment and transactions.

*Effect:* The Town, as described above, is not in compliance with state and federal requirements. These instances of noncompliance could result in fines, penalties, dis-corporation, or discontinued support by the state and federal government, or reduction of buying power.

*Cause:* The Town does not have policies and procedures compliant with state and federal requirements. Additionally, the Town does not have a sufficient internal control structure in place and sufficient staff knowledgeable to ensure compliance with town, state, and federal requirements.

*Recommendation:* A thorough review of current town policies, procedures, and best practices should be undertaken to bring the town into compliance with state and federal requirements and develop controls to ensure the policies, procedures, and best practices are followed.

*Response:* We agree with this finding. A Procurement Manager was hired and a review of current policies, procedures and best practices have started.

#### 2013-003 Procurement

##### Capitalization Grants for Drinking Water State Revolving Funds CFDA 66.468

*Criteria or Specific Requirement:* Procurements funded wholly or partially by monies originating from federal grants are subject to certain federal compliance provisions under the Federal Office and Management and Budget Circulars 87, 102, and 133; and the Code of Federal Regulations Title 2. Additionally, procurements are subject to certain State compliance provisions under Chapter 34 and 41 of the Arizona State Legislature. The Town has established certain policies and procedures in the form of a procurement code to ensure compliance with state and federal requirements and establish their own processes and methodologies regarding procurement actions.

*Condition:* In reviewing the Town procurement code, and testing one procurement transaction we found the following conditions.

Regarding the procurement process and policies overall:

- The Town's procurement code is not currently compliant with applicable state and federal procurement requirements. Specifically it was determined through review of the Town procurement code that the code does not allow proposals to be opened publicly which is in violation of Arizona Administrative Code R2-7-306; and that the Town policies do not encompass "alert[ness] to organizational conflicts of interest" and "exclusion of contractors that develop or draft specifications, requirements, statements of work, invitations for bids, and/or requests for proposals from competing for awards..." which is violation of 2CFR 215.43.

The following conditions were noted in testing procurement activities:

- In testing one procurement action acquiring professional services it was determined the project was awarded to an on-call contractor that did not have the appropriate licensing, bonds or insurance for a portion of the project. Specifically, the construction phase of the project was outside of the scope of work per the original on-call contract.
- In the procurement tested there was no documentation maintained of verification of vendor status with the federal government.

*Questioned Costs:* None.

*Context:* These instances of noncompliance prevent the Town from ensuring the most advantageous procurement environment and transactions.

*Effect:* The Town, as described above, is not in compliance with state and federal requirements. These instances of noncompliance could result in fines, penalties, dis-corporation, or discontinued support by the state and federal government, or reduction of buying power.

*Cause:* The Town does not have policies and procedures compliant with state and federal requirements. Additionally, the Town does not have a sufficient internal control structure in place and staff sufficiently knowledgeable to ensure compliance with Town, state, and federal requirements.

*Recommendation:* A thorough review of current Town policies, procedures, and best practices should be undertaken to bring the Town into compliance with state and federal requirements. Controls should be developed and implemented to provide for an appropriate rationale for the method of procurement. Additionally, documentation should be maintained as evidence of verification of vendor status.

*Response:* The Finance department agrees with this finding. The Town will review all or the current Town policies, procedures and best practices to ensure complete compliance with all State and Federal requirements. A full and complete review of all controls and Standard Operating Procedures (SOP) will be developed. In this review the requirements for documentations will be emphasized.

## **Material Weakness**

### **2013-004 Reporting**

#### **Capitalization Grants for Drinking Water State Revolving Funds CFDA 66.468**

*Criteria:* In fiscal year 2013, the Town received awards from WIFA under the Capitalization Grants for Drinking Water State Revolving Funds program. The WIFA loans were awarded on a reimbursement basis to the Town in the total amount of \$8,682,450 for modification to Well #2 to return it to service in order to meet the needs of the airport office and hangar and to connect the Historic Downtown Buckeye area to the Sundance area by constructing approximately six miles of 16" waterline. Repayment on any expenditures incurred and reimbursed to the Town were to begin on July 1, 2013 and the total of the loans was to be repaid by the Town over a 20 year period.

*Condition:* The Town incurred expenditures in fiscal year 2013 for the WIFA loan program in the amount of \$211,318. These expenditures were not reflected in the Schedule of Expenditures of Federal Awards in fiscal year 2013.

*Questioned Costs:* None.

*Context:* This condition was identified during procedures performed in the fiscal year 2014 single audit.

*Effect:* The Schedule of Expenditures of Federal Awards was understated by a total of \$211,318 in fiscal year 2013.

*Cause:* The Town was unsure of whether or not expenditures incurred for the WIFA loans were going to be requested for reimbursement for WIFA and thus did not include expenditures in the Schedule of Expenditures of Federal Awards in the year they were incurred.

*Recommendation:* We recommend that the Town implement formal processes to ensure that all expenditures under federal loan and grant programs are tracked and captured for proper presentation within the Schedule of Expenditures of Federal Awards.

*Response:* The Finance department agrees with this finding. We were informed by the Water Resources department no expenditures during fiscal year 2013 were WIFA reimbursable, which is why it was not on the Schedule of Expenditures of Federal Awards. When the responsibility of requesting reimbursement was shifted to the finance department in March 2014 not all information was communicated correctly. The Finance department therefore requested reimbursement for invoices dated in the prior fiscal year. Going forward we will ensure documents are reviewed more closely, and reimbursement requests will be completed by Finance only.

### **Significant Deficiency**

#### **2013-002 Cash Management and Reporting**

U.S. Department of Housing and Urban Development Community Development Block Grant CFDA 14.218

*Criteria or Specific Requirement:* Federal compliance provisions require periodic cash management reporting in accordance with requirements specific to the program. 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. Additionally federal compliance provisions require controls to be consistently implemented in the Town's procedures sufficient to ensure compliance with all federal requirements.

*Condition:* During the fiscal year, the Town submitted reports in accordance with the requirements specific to the program. While appropriate reports were timely and accurately submitted during the year, there was a lack of documentation of review of such reports prior to submission. The lack of documented approval indicates the Town has not consistently implemented designed internal controls over compliance with federal cash management requirements, which serve to properly prevent, detect and correct material instances of noncompliance.

*Questioned Costs:* None.

*Context:* This condition was found in the one cash management report and two of three quarterly reports tested.

*Effect:* Federal expenditures could be misreported and reports may not be filed timely such that the federal awarding agency could withhold reimbursement for otherwise appropriate grant expenditures.

*Cause:* Federal and other programmatic reports are not consistently and effectively reviewed by an individual independent of their preparation prior to submission of such reports.

*Recommendation:* We recommend that the Town implement a formal and consistent process by which required federal and programmatic cash management reports are reviewed by an individual independent of their preparation to ensure timely and accurate reporting.

*Response:* We agree with this finding and are implementing a formal process by which required cash management reports are reviewed by an individual independent of their preparation to ensure timely and accurate reporting. We recommend reimbursement requests be signed by the Finance Director or designee.

#### **Section IV – Summary of Prior Findings**

##### **Significant Deficiency**

###### 2012-5 Reporting

U.S. Department of Homeland Security Assistance to Firefighters Grant (ARRA) CFDA 97.115

*Recommendation:* We recommend that the Town implement a formal and consistent process by which required federal and programmatic reports are reviewed by an individual independent of their preparation to ensure timely and accurate reporting.

*Status of Corrective Action Plan:* Does not warrant further action as program is not in effect in fiscal year 2013.

###### 2012-6 Davis-Bacon

U.S. Department of Transportation Airport Improvement Program CFDA 20.106

*Recommendation:* We recommend that documentation demonstrating the formal review of contracts funded with federal dollars for Davis-Bacon requirements by a Town employee who is intimate with grant details be maintained. Additionally, we recommend the procedures and policies surrounding the certified payroll reports requirement be evaluated and refined to include a policy that a Town employee is designated to maintain a familiarity with construction projects and track related construction schedules to ensure the timely and complete receipt of weekly certified payrolls.

*Status of Corrective Action Plan:* Does not warrant further action as program is not in effect in fiscal year 2013.

###### 2012-7 Reporting

U.S. Department of Transportation Airport Improvement Program CFDA 20.106

*Recommendation:* We recommend that appropriate Town personnel responsible for grant compliance be familiar with all program requirements through review of FAA bulletins, compliance supplements, OMB Circulars, and other resources available to the Town to ensure that all grant related requirements are identified.

*Status of Corrective Action Plan:* Does not warrant further action as program is not in effect in fiscal year 2013.

2011-6 Reporting

U.S. Department of Justice COPS Hiring Recovery Program (CHRP) (ARRA) CFDA 16.710

U.S. Department of Homeland Security Assistance to Firefighters Grant (ARRA) CFDA 97.115

*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.

*Status of Corrective Action Plan:* Appears fully corrected.