



Federal Awards Reports in Accordance with the
Single Audit Act and OMB Circular A-133
June 30, 2014

City 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 City Council of the
City of Buckeye, 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 City of Buckeye, Arizona (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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.

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 2014-A, 2014-B, 2014-C and 2014-D 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 Bailly LLP".

Phoenix, Arizona
November 24, 2014



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 City Council of the
City of Buckeye, Arizona
Buckeye, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Buckeye, Arizona’s (the City) 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 City’s major federal programs for the year ended June 30, 2014. The City’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 City’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 City’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 City’s compliance.

Basis for Qualified Opinion on Capitalization Grants for Drinking Water State Revolving Funds

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Environmental Protection Agency CFDA 66.468 as described in finding number 2014-001 for Procurement, Suspension and Debarment. Compliance with this requirement is necessary, in our opinion, for the City 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 City 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, 2014.

Opinion on the Other Major Federal Program

In our opinion, City of Buckeye, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City 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 City'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 City'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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 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 2014-002 to be a significant deficiency.

The City'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 City'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 City as of and for the year ended June 30, 2014, and have issued our report thereon dated November 24, 2014, 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 24, 2014

City of Buckeye, Arizona
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

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 the Maricopa County Human Services Department</i>			
Community Development Block Grant	14.218	DG1101	\$ 210,925
Community Development Block Grant	14.218	DG1201	225,304
Community Development Block Grant	14.218	DG1207	<u>642,821</u>
Total U.S. Department of Housing and Urban Development			<u>1,079,050</u>
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607		7,819
Total U.S. Department of Justice			<u>7,819</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106		29,821
<i>Passed through Arizona Department of Transportation</i>			
Highway Planning and Construction	20.205	BKY11-108	27,737
<i>Passed through the Governor's Office of Highway Safety</i>			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2012-410-020 / 2013-410-008	56,864
State and Community Highway Safety Alcohol Impaired Driving Countermeasures	20.600	2014-CIOT-002	4,325
Incentive Grants I	20.601		<u>32,000</u>
Total Highway Safety Cluster			93,189
Total U.S. Department of Transportation			<u>150,747</u>
<u>Environmental Protection Agency</u>			
<i>Passed through Water Infrastructure Finance Authority of Arizona</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	910158-13	56,479
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920239-13	205,498
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920241-13	<u>560,657</u>
Total Environmental Protection Agency			<u>\$ 822,634</u>

City of Buckeye, Arizona
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

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	\$ 59,305
Special Programs for the Aging Title III-C, Nutrition Services	93.045	AAA	68,263
Nutrition Services Incentive Program	93.053	AAA	7,525
Total Aging Cluster			<u>135,093</u>
Social Services Block Grant	93.667	AAA	1,869
Total U.S. Department of Health & Human Services			<u>136,962</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>25,600</u>
Total Executive Office of the President			<u>25,600</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Arizona Department of Homeland Security</i>			
Assistance to Firefighters Grant Program	97.044	EMW-2012-FO-03486	129,649
Homeland Security Grant Program	97.067	888801-01	137,557
Homeland Security Grant Program	97.067	888801-02	7,833
Homeland Security Grant Program	97.067	130800-01	53,704
Homeland Security Grant Program	97.067	999800-02	13,539
Homeland Security Grant Program	97.067	130801-01	45,685
Homeland Security Grant Program	97.067	888802-02	10,900
Total U.S. Department of Homeland Security			<u>398,867</u>
Total Federal Expenditures			<u>\$ 2,621,679</u>

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Buckeye, Arizona, 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*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 – Significant Accounting Policies

Governmental fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

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	None reported
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	Unmodified
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
Identification of major programs:	<u>CFDA Number</u>
Community Development Block Grant	14.218
Capitalization Grants for Drinking Water State Revolving Funds	66.468

Section II – Financial Statement Findings

Material Weakness

2014-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 City 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 City's financial statements and accompanying notes to the financial statements.

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

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

Cause: The City 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 City 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 City 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.

2014-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 City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

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

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

Cause: City 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 continue to diligently review all accounts, but since management is completing most of the month-end and year-end entries it is difficult to identify possible mis-postings. We have extremely limited staff with accredited accounting background.

2014-C Prior Period Adjustments

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

Condition: During the course of our engagement, we proposed material prior period audit adjustments related to the proper and timely recognition of capital assets and the proper classification of debt obligations, that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Specifically, the auditors proposed prior period adjustments to the financial statements as of the beginning of the fiscal year to adjust the City's capital assets in the amount of \$2,168,884 and \$1,399,188 for the governmental activities and business-type activities, respectively.

Also, the auditors proposed prior period adjustments to the governmental fund financial statements as of the beginning of the fiscal year to adjust the City's CFD governmental long-term obligations in the amount of \$800,000 as of June 30, 2013. There was no impact on beginning governmental activities net position for this adjustment.

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

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

Cause: City 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. During fiscal year 2014 we have continued to work hard on reviewing all of our infrastructure received from the developers. We now have an Engineering department in the City, and are no longer relying on contract personnel to provide the year-end information to us. This will drastically reduce the possibility of incorrectly recording capital assets. During fiscal year 2015 we will complete a final review of our infrastructure in the City to ensure a complete listing is available. The discrepancy was only for infrastructure items, all other capital assets are recorded properly.

The Community Facility District staff will work diligently on properly classifying all debt obligations.

2014-D Capital Assets

Criteria or Specific Requirement: Capital assets are a significant accounting area for the City. 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 City continued to make noticeable efforts to improve upon its controls and processes surrounding the identification and proper recording of capital assets. However, in certain instances, and in accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City recorded the related assets in the year conveyed by the developer and accepted by the City Council at the fair market value of the assets on the date of acceptance. As a result, the assets had been recorded twice, in separate years and at separate values. In other instances, the City should have recorded the related assets in the year conveyed by the developer and accepted by the City Council at the fair market value of the assets on the date of acceptance. As a result, the assets had been recorded in the incorrect period and in the incorrect amount.

Therefore, the auditors proposed prior period and current period adjustments to the financial statements to properly record the City's capital assets and related depreciation expense as follows:

- Adjustment to remove additions from current year governmental fixed asset additions that were not truly current year additions, the effect of this adjustment decreased depreciable assets and capital contribution revenue by \$6,189,637.
- Adjustment to remove additions from current year enterprise funds fixed asset additions that were not truly current year additions, the effect of this adjustment decreased depreciable assets and capital contribution revenue by \$1,844,951.
- Adjustment to correctly record current year depreciation for assets that were added through a prior period adjustment within governmental activities, this adjustment increased accumulated depreciation and depreciation expense by \$166,441.
- Adjustment to correctly record current year depreciation for assets that were added through a prior period adjustment in the enterprise funds, this adjustment increased accumulated depreciation and depreciation expense by \$42,467.

Context: This finding impacts the City'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 City's internal control system does not serve to prevent and detect such misstatements.

Cause: Given the size of the City's finance department, there are limited resources to apply to the reconciliation of capital asset activity throughout the year. There is inconsistent communication between the projects department and the finance department, where capital asset conveyances are at times, not effectively communicated to the finance department.

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 City 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. A new staff person joined the Engineering department, and when completing one of the spreadsheets did not verify the formula in the related fields. We are still short on qualified staff to review infrastructure items to ensure proper accounting but will continue to strive for improvement.

Section III – Federal Award Findings and Questioned Cost

Material Weakness and Material Noncompliance

2014-001 Procurement

Environmental Protection Agency 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 City 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 City procurement code and testing one procurement transactions we found the following conditions.

Regarding the procurement process and policies overall:

- The City’s procurement code is not currently compliant with applicable state and federal procurement requirements. Specifically it was determined through review of the City 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 City 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:

- Per City, state, and federal procurement standards, codes, and regulations, any procurement above \$100,000 must be subjected through a competitive bidding process. The one 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 although the procurement was awarded by noncompetitive negotiation.
- The procurement 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 City from ensuring the most advantageous procurement environment and transactions.

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

Recommendation: A thorough review of current City policies, procedures, and best practices should be undertaken to bring the City into compliance with state and federal requirements. Controls should be developed and implemented to provide for full and open competition. Cost or price analysis should be performed in connection with procurement actions.

Response: We agree with this finding. A complete review will be accomplished by the Manager of the Construction and contracting Division.

Significant Deficiency

2014-002 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 City's procedures sufficient to ensure compliance with all federal requirements.

Condition: During the fiscal year, the City 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 City 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 of the two cash management 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 City 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:

- The Grant Programs Administrator uses the subgrantee agreement and quarterly report form issued by Maricopa County Human Services Department as the policy and procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.
- The quarterly reports are drafted by the Grants Program Administrator to ensure information and data is complete and accurate. Reports are reviewed and approved by the Project Manager/Department Director. A review document with the acknowledgement of review/approval and final report is distributed to Maricopa County, Project Manager and Department Directors.

We will continue to work diligently on having an additional review process in place that would satisfy the audit controls currently in place.

Section IV – Summary of Prior Findings

2013-1 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

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.

Status of Corrective Action Plan: Not implemented; see 2014-001.

2013-002 Cash Management and Reporting

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

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.

Status of Corrective Action Plan: Not implemented; see 2014-002.