



Federal Awards Reports in Accordance with the  
Single Audit Act and Uniform Guidance  
June 30, 2016

**City of Buckeye, Arizona**

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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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 8, 2016.

**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 2016-A, 2016-B, and 2016-C 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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Phoenix, Arizona  
December 8, 2016



**Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

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

**Report on Compliance for the 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 Compliance Supplement* that could have a direct and material effect on the of the City’s major federal program for the year ended June 30, 2016. The City’s major federal program is 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 the City’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Compliance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

**Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Buckeye's basic financial statements. We issued our report thereon dated December 8, 2016, which contained unmodified opinions 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Phoenix, Arizona  
December 8, 2016

City of Buckeye, Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>Grantor Agency</u>	<u>Grant Award Date</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Contract Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grants/Entitlement Grants	11/3/2014	14.218	DG1401	\$ 438,000
Total U.S. Department of Housing and Urban Development				<u>438,000</u>
<u>Department of Forestry</u>				
BLM Wildland Urban Interface Community Fire Assistance	11/30/2015	15.228	WFHF15B-315	\$ 134,755
Total Department of Forestry				<u>134,755</u>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	10/11/2015	16.607		7,604
Organized Crime Drug Enforcement Task Force	11/9/2015	16.111	SW-AZ-0680	\$ 6,563
Total U.S. Department of Justice				<u>14,167</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	9/9/2014	20.106	3-04-0005-017-	5,810
<i>Passed through the Governor's Office of Highway Safety</i>				
Governor's Office of Highway Safety (GOHS)				
State and Community Highway Safety	10/1/2015	20.600	2016-AL-058	1,483.00
State and Community Highway Safety	5/23/2016	20.600	2016-CIOT-002	4,762.00
State and Community Highway Safety	2/20/2015	20.600	2015-405D-043	4,225
Total Governor's Office of Highway Safety (GOHS)				<u>10,470</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	7/1/2015	20.608	2016-II-0004	21,711
Total U.S. Department of Transportation				<u>37,992</u>
<u>Environmental Protection Agency</u>				
<i>Passed through Water Infrastructure Finance Authority of Arizona</i>				
Capitalization Grants for Clean Water State Revolving Funds				
	2/20/2013	66.458	910158-13	2,599,357
Capitalization Grants for Drinking Water State Revolving Funds				
	2/20/2013	66.468	920239-13	2,076,122
Capitalization Grants for Drinking Water State Revolving Funds				
	2/20/2013	66.468	920241-13	2,841,635
Total Environmental Protection Agency				<u>\$ 7,517,114</u>



City of Buckeye, Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>Grantor Agency</u>		<u>Federal CFDA Number</u>	<u>Agency or Pass-through Contract Number</u>	<u>Federal Expenditures</u>
<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	7/1/2015	93.044	AAA	\$ 40,301
Special Programs for the Aging Title III-C, Nutrition Services	7/1/2015	93.045	AAA	81,059
Nutrition Services Incentive Program	7/1/2015	93.053	AAA	8,818
Total Aging Cluster				<u>130,178</u>
Social Services Block Grant	7/1/2015	93.667	AAA	4,595.00
Total U.S. Department of Health & Human Services				<u>134,773</u>
<u>Executive Office of the President</u>				
<i>Passed through Maricopa County Sheriff's Office</i>				
High Intensity Drug Trafficking Areas Program	1/51/2013	95.001	C-50-13-046-G-00	23,001
High Intensity Drug Trafficking Areas Program	1/1/2015	95.001	C-50-15-075-G-00	2,539
Total Executive Office of the President				<u>25,539</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	9/29/2015	97.067	150800-01	27,342
Homeland Security Grant Program	9/12/2014	97.067	140814-01	14998.28
Homeland Security Grant Program	3/15/2016	97.067	140814-02	17,400
Homeland Security Grant Program	9/21/2015	97.067	150801-01	40,364
Homeland Security Grant Program	9/11/2015	97.067	150801-02	27,629
Homeland Security Grant Program	3/15/2016	97.067	140815-02	2,758
Total U.S. Department of Homeland Security				<u>130,492</u>
Total Federal Expenditures				<u>\$ 8,432,832</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 *Uniform Guidance, 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.

**Note 3 – Indirect Cost Rate**

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

**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 not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes
Identification of major programs:	<u>CFDA Number</u>
Capitalization Grants for Drinking Water State Revolving Funds	<u>66.468</u>
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee	No

## Section II – Financial Statement Findings

### Material Weakness

#### 2016-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.

*Views of responsible officials:* 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.

#### 2016-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.

*Views of responsible officials:* The Finance department agrees with this finding. The finance department 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 miss postings. The finance department has extremely limited staff with accredited accounting background. In addition to the limited staff the department is still in the process of implementing a new enterprise resource program which further limited the amount of time staff was able to concentrate on the day-to-day activities.

#### 2015-C 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, there were material audit adjustments in the current year identified by the auditor during fieldwork and potential internal control matters were noted.

*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. There is also no formal process for determining when assets are placed in to service.

*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.

*Views of responsible officials:* The Finance department agrees with this finding and we continue to put forth our best efforts regarding this issue. The workload increased and it was not possible to review on a quarterly basis. Even though the depreciation calculation was verified by another staff member some items were missed. This again will be reviewed more closely going forward. The finance department is expecting to have a fixed asset system in place for fiscal year 2017.

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

#### Significant Deficiency

2016-001      Environmental Protection Agency passed through Water Infrastructure Finance Authority  
CFDA # 66.468  
Capitalization Grants for Drinking Water State Revolving Funds

#### Procurement

Capitalization Grants for Drinking Water State Revolving Funds 66.468

*Criteria or Specific Requirement:* Federal compliance provisions require that a non-Federal entity has procurement procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

*Condition:* In two out of two procurements tested that were funded by federal monies, there was no documentation maintained or verification of vendor status with the federal government.

*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 non-compliance could result in the City entering into a contract with a debarred, suspended, or otherwise excluded party, and thus not being in compliance with other state and federal requirements.

*Cause:* The City does not have policies and procedures compliant with state and federal requirements.

*Recommendation:* We recommend that the City implement a process to retain documentation or verification of the vendor status with the federal government.

*Views of responsible officials:* The City concurs with the findings that the file did not contain a paper copy from the System for Award Management (SAM) verifying eligibility to receive award. However, the City does have a process to verify prior to award that a company is not debarred, suspended or ineligible to receive a contract as prescribed by the Federal Acquisition Regulation (FAR). While the file did not contain a paper copy, each contractor was verified as eligible to receive the award. The Purchasing Agent failed to ensure this verification was included in the contract file. This error has been corrected and all contracts awarded now contain documentation that the SAM verification was accomplished. Furthermore, at the time of award both contractors were not debarred, suspended or ineligible to receive award.

**Section IV – Summary of Prior Findings**

2015-001 Reporting

Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458  
Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds CFDA 66.468

*Recommendation:* We recommend that the City implement a process to request the Annual Loan File Review Forms from the Authority in order to receive them and submit them in the time requirement prescribed in the loan agreements.

*Status of Corrective Action Plan:* Corrected.