



City of Buckeye, Arizona
Single Audit Reporting Package
Year Ended June 30, 2019

**CITY OF BUCKEYE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2019**

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**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***

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of 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, and the aggregate remaining fund information of City of Buckeye, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Buckeye, Arizona's basic financial statements, and have issued our report thereon dated February 26, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 88.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 items FS-2019-001, FS-2019-002, and FS-2019-003 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 item FS-2019-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Buckeye, Arizona'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item FS-2019-003.

City of Buckeye, Arizona's Response to Findings

City of Buckeye, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Buckeye, Arizona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 26, 2020

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited City of Buckeye, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Buckeye, Arizona's major federal programs for the year ended June 30, 2019. City of Buckeye, Arizona'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Buckeye, Arizona'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 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 Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Buckeye, Arizona'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 City of Buckeye, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Buckeye, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

City of Buckeye, Arizona's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Buckeye, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of City of Buckeye, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Buckeye, Arizona'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 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 City of Buckeye, Arizona's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or 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 a material weakness and a significant deficiency.

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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 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 2019-001 to be a significant deficiency.

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

City of Buckeye, Arizona is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. City of Buckeye, Arizona's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Buckeye, Arizona as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Buckeye, Arizona's basic financial statements. We issued our report thereon dated February 26, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 26, 2020

CITY OF BUCKEYE , ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	MARICOPA COUNTY HUMAN SERVICES DEPARTMENT	DG1501	\$87,582	\$87,582	CDBG - ENTITLEMENT GRANTS CLUSTER	\$87,582
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>\$87,582</u>			
DEPARTMENT OF JUSTICE							
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582			\$25,401	\$25,401	N/A	\$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607			\$5,968	\$5,968	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE				<u>\$31,369</u>			
DEPARTMENT OF TRANSPORTATION							
AIRPORT IMPROVEMENT PROGRAM	20.106			\$245,200	\$245,200	N/A	\$0
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	JPA: 14-0004647-I	\$140,406	\$140,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$153,236
RECREATIONAL TRAILS PROGRAM	20.219	ARIZONA STATE PARKS AND TRAILS GOVERNOR'S OFFICE OF HIGHWAY SAFETY	471618	\$12,830	\$12,830	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$153,236
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-AL-006	\$2,251	\$74,439	HIGHWAY SAFETY CLUSTER	\$74,439
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-AI-001	\$4,073	\$74,439	HIGHWAY SAFETY CLUSTER	\$74,439
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-AI-011	\$24,448	\$74,439	HIGHWAY SAFETY CLUSTER	\$74,439
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-EM-002	\$38,667	\$74,439	HIGHWAY SAFETY CLUSTER	\$74,439
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-CIOT-003	\$5,000	\$74,439	HIGHWAY SAFETY CLUSTER	\$74,439
MINIMUM PENALTIES FOR REPEAT OFFENDERS FOR DRIVING WHILE INTOXICATED	20.608	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-006	\$35,678	\$35,678	N/A	\$0
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA) DISCRETIONARY SAFETY GRANTS	20.614	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-PB-012	\$1,552	\$1,552	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION				<u>\$510,105</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES							
GRANTS TO STATES	45.310	LIBRARY SERVICES AND TECHNOLOGY	2017-0010-03	\$6,580	\$6,580	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES				<u>\$6,580</u>			

ENVIRONMENTAL PROTECTION AGENCY

CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA	920240-15	\$63,291	\$63,291	DRINKING WATER STATE REVOLVING FUND CLUSTER	\$63,291
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>\$63,291</u>			

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	AREA AGENCY ON AGING, REGION ONE, INC.	AAA	\$24,220	\$24,220	AGING CLUSTER	\$126,402
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	AREA AGENCY ON AGING, REGION ONE, INC.	AAA	\$90,614	\$90,614	AGING CLUSTER	\$126,402
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	AREA AGENCY ON AGING, REGION ONE, INC.	AAA	\$11,568	\$11,568	AGING CLUSTER	\$126,402
SOCIAL SERVICES BLOCK GRANT	93.667	AREA AGENCY ON AGING, REGION ONE, INC.	AAA	\$4,592	\$4,592	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$130,994</u>			

EXECUTIVE OFFICE OF THE PRESIDENT

HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	MARICOPA COUNTY SHERIFF'S OFFICE	C-50-17-076-3-00	\$2,256	\$38,278	N/A	\$0
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	MARICOPA COUNTY SHERIFF'S OFFICE	C-50-19-055-3-00	\$2,767	\$38,278	N/A	\$0
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	MARICOPA COUNTY SHERIFF'S OFFICE	HT-16-2615	\$3,753	\$38,278	N/A	\$0
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	MARICOPA COUNTY SHERIFF'S OFFICE	HT-18-2816	\$29,502	\$38,278	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				<u>\$38,278</u>			

DEPARTMENT OF HOMELAND SECURITY

ASSISTANCE TO FIREFIGHTERS GRANT	97.044	ARIZONA DEPARTMENT OF HOMELAND SECURITY	EMW-2017-FO-02425	\$62,185	\$62,185	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	170800-01	\$48,130	\$126,187	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	170801-02	\$18,852	\$126,187	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180800-01	\$38,160	\$126,187	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180801-01	\$15,487	\$126,187	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180801-02	\$5,558	\$126,187	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>\$188,372</u>			

TOTAL EXPENDITURE OF FEDERAL AWARDS

\$1,056,571

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

CITY OF BUCKEYE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Buckeye, Arizona under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word unknown were used.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: Yes

Noncompliance material to financial statements noted: Yes

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: 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 §200.516 of Uniform Guidance: Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
66.468	Drinking Water State Revolving Fund Cluster
93.044, 93.045, 93.053	Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: No

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: Yes

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-001

Repeat Finding: Yes – 2018-A

Type of Finding: Material Weakness

Description: Material Audit Adjustments

CRITERIA

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 audit, 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.

CAUSE

The City's internal controls over financial reporting were not properly designed to prevent or detect material misstatements.

EFFECT

The City may not prevent or detect material misstatements to the financial statements.

CONTEXT

- Several material audit adjustments were required to properly present long-term debt and related activity.
- There were several misclassifications of fund balance and net position.
- The City's reconciliation of pooled cash accounts did not agree to the general ledger in the amount of \$189,767.
- Payroll liabilities of \$52,704 were unrecorded.
- Revenues were not appropriately classified by function and type of program revenue in the Statement of Activities.
- An audit adjustment was required to properly state cash and accounts payable in the amount of \$318,851.
- The City did not report \$140,406 of federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-001

RECOMMENDATION

The City should develop a year-end checklist with standardized procedures and instructions to ensure all necessary adjustments and disclosures are made to the financial statements. Additionally, an individual with the appropriate skills, knowledge and experience should review year-end adjustments and the financial statements. Finally, the City should consider providing additional training to those involved in financial reporting.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-002
Repeat Finding: Yes – 2018-B
Type of Finding: Material Weakness
Description: Capital Assets

CRITERIA

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

There were material misstatements of capital asset balances and related activity. Additionally, some of the City's capital assets are not properly supported.

CAUSE

The City's capital assets policy and procedures have not been updated for several years. Additionally, the City's system to track capital assets is error prone. Finally, the City's reconciliation of capital outlay did not include all capital outlay account codes.

EFFECT

The City may not prevent or detect material misstatements to the financial statements.

CONTEXT

During our review of capital assets, we noted the following:

- The capital asset policies and procedures have not been reviewed and updated for several years. Additionally, the City has not addressed in policy or practice the process of evaluating capital assets for impairment.
- The City did not capitalize Roosevelt Improvement District project expenditures in the amount of \$6.1 million. Additionally, some capital asset additions reviewed were misclassified by category or fund.
- The City did not evaluate capital asset disposals for gain or loss.
- There were several clerical errors made to capital asset schedules.
- The land associated with current year and prior year developer contributions of infrastructure was not captured on the financial statements.
- During our review of the prior year capital asset balance, we noted that several infrastructure improvements were not supported by purchase/acquisition documents.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-002

RECOMMENDATION

The City should update the capital assets policy/procedures and ensure all employees involved in tracking and reporting capital assets are well trained. The City should use Munis to record and report capital assets. The capital outlay reconciliation should include capital outlay expenditure account codes for improvement districts. The capital asset schedules should be reviewed for propriety by management. The City should ensure land associated with donated infrastructure is appropriately capitalized in the financial statements. Finally, the City should retain support for all capital assets reported in accordance with record retention requirements.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-003

Repeat Finding: No

Type of Finding: Noncompliance, Material Weakness

Description: Highway User Revenue Fund Expenditures

CRITERIA

No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on the public highways or streets or to fuels or any other energy source used for the propulsion of vehicles on the public highways or streets, shall be expended for other than highway and street purposes including the cost of administering the state highway system and the laws creating such fees, excises, or license taxes, statutory refunds and adjustments provided by law, payment of principal and interest on highway and street bonds and obligations, expenses of state enforcement of traffic laws and state administration of traffic safety programs, payment of costs of publication and distribution of Arizona highways magazine, state costs of construction, reconstruction, maintenance or repair of public highways, streets or bridges, costs of rights of way acquisitions and expenses related thereto, roadside development, and for distribution to counties, incorporated cities and towns to be used by them solely for highway and street purposes including costs of rights of way acquisitions and expenses related thereto, construction, reconstruction, maintenance, repair, roadside development, of county, city and town roads, streets, and bridges and payment of principal and interest on highway and street bonds. (Article IX, Section 14 of the Arizona Constitution).

CONDITION

The City charged unallowable debt service expenditures to the Highway User Revenue Fund (HURF).

CAUSE

Budgetary constraints in prior years may have been the impetus for allocating debt service expenditures to HURF.

EFFECT

The City has violated Article IX, Section 14 of the Arizona Constitution.

CONTEXT

In the current year and prior years the City allocated debt service related to the construction of City Hall to HURF. The amount in the current year totaled \$154,690, and prior years totaled \$1,120,858. After this was brought to management's attention, the City's General Fund reimbursed HURF in the amount of \$1,275,548.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-003

RECOMMENDATION

The City appropriately returned resources back to HURF. Management must closely review future charges to HURF to ensure they meet statutory requirements.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2019-004

Repeat Finding: No

Type of Finding: Significant Deficiency

Description: Expenditure Cutoff

CRITERIA

Management is responsible for establishing internal controls over expenditures to ensure proper processing, payment and reporting. Generally accepted accounting principles (GAAP) require that goods and services be paid for in the year received.

CONDITION

The City did not have the appropriate controls in place to ensure expenditures were recorded in the proper fiscal year.

CAUSE

The processing of invoices was sometimes delayed. Additionally, review of expenditures for cutoff was not always performed as a part of processing invoices for payment.

EFFECT

The City may not prevent or detect material misstatements to the financial statements.

CONTEXT

- A current year capital addition in the amount of \$334,068 should have been accrued in the prior fiscal year.
- For one of seven fiscal year 2020 disbursements reviewed, the expenditure of \$1,850 should have been accrued in the current fiscal year. The sample was not intended to be, and was not, a statistically valid sample.
- For one of 55 disbursements reviewed, the expenditure of \$197 should have been accrued in the prior fiscal year. The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The City should consider central receiving of all invoices. Additionally, the Finance Department should closely monitor outstanding purchase orders and review expenditures for cutoff at the time of invoice processing and payment.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2019-001

Repeat Finding: No

Program Name/CFDA Title: Aging Cluster

CFDA Numbers: 93.044, 93.045, 93.053

Federal Agency: U.S. Department of Health and Human Services

Federal Award Number: N/A

Pass-Through Agency: Area Agency on Aging, Region One, Inc.

Questioned Costs: \$10,890

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

CRITERIA

Management is responsible for establishing and maintaining internal controls to ensure expenditures funded with Federal funds are allowable based on the grant agreement and the provisions of 2 CFR part 200, Subpart E, Cost Principles (Uniform Guidance).

CONDITION

The City charged costs to the Aging Cluster that were unallowable or not properly supported.

CAUSE

The City did not separately account for the Aging Cluster grant in the general ledger. Additionally, the City did not have a process to support costs charged to the grant for employees with multiple cost objectives. Finally, the costs charged to the grant were not closely reviewed for allowability.

EFFECT

Unallowable costs were charged to the Aging Cluster, which may require repayment of grant monies.

CONTEXT

- The City comingled the Aging Cluster grant with the Arizona Lottery Fund (ALF) grant.
- The City charged a portion of the Recreation Manager's salary and benefits to the grant in error.
- There are three employees with multiple cost objectives that are charged to the Aging Cluster. The funding split is approved in the detailed budget submitted to Area Agency; however, there is no documentation of how the split was determined and the City is not separately tracking hours for each cost objective.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

RECOMMENDATION

The City should segregate the Aging Custer grant from the ALF grant in the general ledger to ensure monies are appropriately spent on allowable activities and the City can clearly demonstrate which costs were charged to each grant. Additionally, the City should develop policies and procedures to support costs charged to grants for employees with multiple cost objectives. Finally, costs charged to the grant should be monitored and periodically reviewed by management for propriety.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF BUCKEYE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2019-002

Repeat Finding: No

Program Name/CFDA Title: Aging Cluster

CFDA Numbers: 93.044, 93.045, 93.053

Federal Agency: U.S. Department of Health and Human Services

Federal Award Number: N/A

Pass-Through Agency: Area Agency on Aging, Region One, Inc.

Questioned Costs: N/A

Type of Finding: Noncompliance, Material Weakness

Compliance Requirement: Program Income

CRITERIA

The service provider will use all collected contributions to expand the service for which the contributions were given and to supplement (not supplant) funds received. (42 USC 3030c-2(b)).

CONDITION

The Aging Cluster program revenue was deposited into the General Fund.

CAUSE

The City was not aware that program income was recorded in the General Fund.

EFFECT

The City is not in compliance with federal regulations.

CONTEXT

The program revenue collected of \$23,990 which includes voluntary contributions from seniors for congregate meals, home delivered meals, and transportation are improperly recorded in the General Fund rather than the Area Agency on Aging Grant Fund. Additionally, the program revenue recorded in the General Fund is not used for Aging Cluster activities. This is mitigated to a certain extent by a large General Fund subsidy of \$505,300 in the form of a transfer to cover operational shortfalls related to Aging Cluster activities. The transfer covers both actual program revenue collected and the budgeted local match.

RECOMMENDATION

The City should ensure all voluntary contributions related to the Aging Cluster activities are recorded in the Area Agency on Aging Grant Fund.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



CITY OF BUCKEYE
FINANCE DEPARTMENT
530 E. MONROE AVENUE
BUCKEYE, AZ 85326
623.349.6000

February 26, 2020

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Sherri Meredith
Accounting Manager

**CITY OF BUCKEYE, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding Number: FS-2019-001

Contact Persons: William Kauppi/Sherri Meredith

Anticipated Completion Date: June 30, 2020

Planned Corrective Action: The Finance Department agrees with this finding and will implement the following:

- Create a year-end check list with standardized procedures and instructions to ensure all necessary adjustments and disclosures are made to the financial statements.
- A thorough review and reconciliation of accounts prior to the beginning of the audit. Additional training for finance staff to assist with these reconciliations which would add a layer to the review process for management.

Finding Number: FS-2019-002

Contact Persons: Sherri Meredith/William Kauppi

Anticipated Completion Date: June 30, 2020

Planned Corrective Action: The Finance Department agrees with this finding and will implement the following:

- The City will update its capital assets policy/procedures and ensure all employees involved in tracking and reporting capital assets are well trained. Incorporated in the policy/procedures would be instructions on how to ensure donated infrastructure is captured and appropriately capitalized in the financial statements and also instructions on the retainage of support documentation for all capital assets.
- The City has engaged a private CPA who specializes in capital assets to evaluate our process and provide recommendations on how to improve our processes.
- Currently, capital assets are tracked on an EXCEL spreadsheet which can lead to clerical errors and currently the City's accounting software system has a capital asset module which is not being utilized at this time. During fiscal year 2020-21, the City anticipates transitioning from the EXECL spreadsheet to the capital asset module in MUNIS to track capital assets - this should assist with the manual reconciliation (capture all capital accounts – including the improvement districts) between the accounting system and the EXCEL spreadsheet which should eliminate any clerical errors.

Finding Number: FS-2019-003

Contact Persons: Sherri Meredith/William Kauppi

Anticipated Completion Date: Completed.

Planned Corrective Action: The Finance Department agrees with this finding. The corrective entries were made immediately and we will closely review future charges to HURF to ensure they meet statutory requirements.

**CITY OF BUCKEYE, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding Number: FS-2019-004

Contact Persons: Sherri Meredith/William Kauppi

Anticipated Completion Date: June 30, 2020

Planned Corrective Action: The Finance Department agrees with this finding and will implement the following:

- With the addition of the Lead Accounting Clerk position within the Finance Department, this should correct the issue regarding the year-end cutoff.

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2019-001

Program Name/CFDA Title: Aging Cluster

CFDA Numbers: 93.044, 93.045, 93.053

Contact Persons: Sherri Meredith/William Kauppi

Anticipated Completion Date: Varied

Planned Corrective Action: The Finance Department agrees with this finding and has completed the following:

- A separate fund will be established for the ALF grant in the general ledger (immediately).
- The City will develop policies/procedures to support costs charged to grants for employees with multiple cost objectives. (Policy/procedures has not yet been written but employees charged to grants for with multiple cost objectives are now logging their time per pay period to track time between activities.)

Finding Number: 2019-002

Program Name/CFDA Title: Aging Cluster

CFDA Numbers: 93.044, 93.045, 93.053

Contact Persons: Sherri Meredith/William Kauppi

Anticipated Completion Date: Immediately

Planned Corrective Action: The Finance Department agrees with this finding and has transferred program revenue collected from the General Fund to the Area Agency on Aging Grant Fund.

**CITY OF BUCKEYE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

**Status of Findings Related to Financial Statements Reported in Accordance with
*Government Auditing Standards***

Finding Number: 2018-A

Status: Not corrected. See current year finding FS-2019-001.

Planned Corrective Action: The Finance Department agrees with this finding. While workloads were reassigned, it was due to multiple Finance employees leaving the City's employment rather than for adding an additional layer to the review process. As stated in the planned corrective action for FS-2019-001, the creation of a year-end checklist with standardized procedures and instructions to ensure all necessary adjustments and disclosures are made to the financial statements in addition to account reconciliation prior to the beginning of the audit should eliminate the internal control deficiencies.

Finding Number: 2018-B

Status: Not corrected. See current year finding FS-2019-002.

Planned Corrective Action: As stated in the FS-2019-002 finding, capital assets are a significant accounting area for the City. The employee who handled capital assets retired towards the end of fiscal year 2019 and that left a void where multiple employees had to step in to pick-up those duties. With a more structured capital assets policy/procedures and ensuring all employees involved in tracking and reporting capital assets are well trained, along with the assistance of our outside contractor who specializes in capital assets, we are hoping capital assets are properly identified and accounted for in the financial statements.

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2018-001

Program Name/CFDA Title: Assistance to Firefighters Grant

CFDA Number: 97.044

Status: Fully corrected.