

CITY OF WINSLOW, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
YEAR ENDED JUNE 30, 2019

CITY OF WINSLOW, ARIZONA
FINANCIAL AND SINGLE AUDIT REPORTING PACKAGE
YEAR ENDED JUNE 30, 2019

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Independent Auditors' 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
City of Winslow, Arizona

We have audited, in accordance with the 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, business-type activities, and each major fund of the City of Winslow, Arizona (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 13, 2020.

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.

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. 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.

Our consideration of internal control 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 or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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 Response to Findings

The City's response to the finding identified in our audit is presented in the corrective action plan at the end of this report. The City is responsible for preparing a corrective action plan to address each finding. The City's response and corrective action plan 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fester & Chapman, PLLC

April 13, 2020



Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Winslow, Arizona (the City)'s compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) 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, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 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 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.

Opinion on Each Major Federal Program

In our opinion, the City 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 for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The City's management 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 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 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 a 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. 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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, business-type activities, and each major fund of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 13, 2020, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 the City's 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 basic 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.

Fester & Chapman, PLLC

April 13, 2020

CITY OF WINSLOW, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Agency/ CFDA Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development						
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	None	\$ 8,975	\$
14.850	Public and Indian Housing		N/A	N/A	147,726	
14.871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster	N/A	N/A	719,663	
14.872	Public Housing Capital Fund		N/A	N/A	<u>56,229</u>	
	Total U.S. Department of Housing and Urban Development				<u>932,593</u>	
U.S. Department of Justice						
16.607	Bulletproof Vest Partnership Program		N/A	N/A	2,548	
16.710	Public Safety Partnership and Community Policing Grants		N/A	N/A	39,752	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		Navajo County, Arizona	None	<u>56,234</u>	
	Total U.S. Department of Justice				<u>98,534</u>	
U.S. Department of Transportation						
20.106	Airport Improvement Program		N/A	N/A	242,096	
20.600	State and Community Highway Safety		Governor's Office of Highway Safety	None	26,391	
20.616	National Priority Safety Program		Governor's Office of Highway Safety	None	<u>43,585</u>	
	Total U.S. Department of Transportation				<u>312,072</u>	
	Total Expenditures of Federal Awards				<u>\$ 1,343,199</u>	<u>\$</u>

See accompanying notes to schedule.

CITY OF WINSLOW, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of the City of Winslow, Arizona for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 *Catalog of Federal Domestic Assistance*.

NOTE 3 - INDIRECT COST RATE

The City did not elect to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414.

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

A. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles

Unmodified
Yes No

Internal control over financial reporting:

Material weakness(es) identified?

 X _____

Significant deficiency(ies) identified?

_____ X

(none reported)

Noncompliance material to the financial statements noted?

_____ X

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

_____ X

Significant deficiency(ies) identified?

_____ X

(none reported)

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?

_____ X

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster, Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ X

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511(b)?

 X _____

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

B. Financial Statement Findings

2019-001 Financial Reporting Process - Year-end Closing

- Criteria: The City should have adequate internal controls in place to help ensure that its financial statements and related note disclosures are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
- Condition: Due from other fund in the general fund was understated and the corresponding cash balance was overstated by approximately \$260,000.
- Cause: The City did not have adequate policies and procedures in place to help ensure that the City's year-end closing process was completed accurately in accordance with GAAP.
- Effect: Additional year-end reconciliations and adjustments were necessary to correct account balances in the City's financial statements.
- Recommendation: The City should evaluate its year-end financial closing process and develop comprehensive policies and procedures to help ensure its financial reports are accurate and prepared in accordance with GAAP.

C. Federal Awards Findings and Questioned Costs

None noted

Mayor
Thomas L. McCauley

(928) 289-2422



Discover Winslow-A City in Motion

Council Members
Robin R. Boyd
Samantha Crisp
Judy Howell
Rickey Jackson
Kerwin A. Lawrence
Marshall Losey

CORRECTIVE ACTION PLAN

April 13, 2020

We have prepared the following corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by 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). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Findings - Financial Statement Audit

2019-001 Financial Reporting Process

Due from other fund in the general fund was understated and the corresponding cash balance was overstated by approximately \$260,000.

- Recommendation:** The City should evaluate its year-end financial closing process and develop comprehensive policies and procedures to help ensure its financial reports are accurate and prepared in accordance with GAAP.
- Action Taken:** High turnover and staff shortage at year-end in the Finance Department lead to delays in reconciling Lindsey's records for Public Housing to the General Ledger in Caselle. Particularly the Due from other fund account which was reconciled and corrected before the audit was wrapped up and finalized. .
- Completion Date:** During fiscal year 2020
- Contact Person:** Elias Jouen, Finance Director

Mayor
Thomas L. McCauley

(928) 289-2422



Council Members
Robin R. Boyd
Samantha Crisp
Judy Howell
Rickey Jackson
Kerwin A. Lawrence
Marshall Losey

Discover Winslow-A City in Motion

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

Status of Financial Statement Findings

Finding No: 2018-001 Financial Reporting Process
Status: Fully corrected.

Finding No: 2018-002 Internal Control over the Housing Authority's Cash Receipts and Disbursements
Status: Fully corrected.

Status of Federal Award Findings and Questioned Costs

CFDA No. and Name: 14.850 Public and Indian Housing
Finding No: 2018-101 Program Income
Status: Fully corrected.

CFDA No. and Name: 14.850 Public and Indian Housing
Finding No: 2018-102 Special Tests and Provisions – Declaration of Trust
Status: Fully corrected.

CFDA No. and Name: 14.850 Public and Indian Housing;
14.871 Housing Voucher Cluster, Section 8 Housing Choice Vouchers
Finding No: 2018-103 Eligibility
Status: Fully corrected.

CFDA No. and Name: 14.871 Housing Voucher Cluster, Section 8 Housing Choice Vouchers
Finding No: 2018-104 Reporting – Section 8 Management Assessment Program (SEMAP) certification
Status: Fully corrected.