



City of Yuma, Arizona
Single Audit Reporting Package
Year Ended June 30, 2018

**CITY OF YUMA, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2018**

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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 Yuma, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Yuma, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Yuma, Arizona's basic financial statements, and have issued our report thereon dated March 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Yuma, 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 Yuma, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Yuma, Arizona'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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Yuma, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Yuma, Arizona's Response to Finding

City of Yuma's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Yuma, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 26, 2019

**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 Yuma, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Yuma, 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 Yuma, Arizona's major federal programs for the year ended June 30, 2018. City of Yuma, 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 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 Yuma, 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 Yuma, 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 Yuma, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Yuma, 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 for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of City of Yuma, 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 Yuma, 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 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 Yuma, Arizona'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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

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 Yuma, Arizona as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Yuma, Arizona's basic financial statements. We issued our report thereon dated March 26, 2019, 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 taken as a whole.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 26, 2019

CITY OF YUMA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

<u>Federal Pass-Through Agency</u>	<u>CFDA Number</u>	<u>Federal Award Number</u>	<u>Total Expenditures & Transfers</u>	<u>Amounts Provided to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct grants:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-04-0508	74,641	
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-04-0508	5,470	
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-04-0508	233,055	
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-04-0508	428,736	54,000
Total CDBG Entitlement Grants Cluster			741,902	54,000
HOME Investment Partnerships Program	14.239	301-16	151,315	
HOME Investment Partnerships Program	14.239	M17-DC040230	181,613	
			332,928	
Total U.S. Department of Housing and Urban Development			1,074,830	54,000
<u>U.S. Department of Justice</u>				
Direct grants:				
Bulletproof Vest Partnership Program	16.607	2015 BVP	2,875	
Bulletproof Vest Partnership Program	16.607	2016 BVP	8,853	
Total Bulletproof Vest Partnership Program			11,728	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0811	53,831	
Equitable Sharing Program	16.922	JLEOTFS4	651	
Equitable Sharing Program	16.922	JLEOTFS4	1,796	
Total Equitable Sharing Program			2,447	
Total U.S. Department of Justice			68,006	
<u>U.S. Department of Transportation</u>				
Passed through Arizona Governor's Office of Highway Safety				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	2017-PT-066	15,000	
State and Community Highway Safety	20.600	2018-PTS-079	3,603	
National Priority Safety Programs	20.616	2018-405d-054	13,323	
National Priority Safety Programs	20.616	2018-405D-055	47,000	
Total Highway Safety Cluster			78,926	
Passed through Arizona Department of Transportation:				
Highway Planning and Construction Cluster:				
Recreational Trails Program	20.219	471515	18,279	
Recreational Trails Program	20.219	471810	79,990	
Total Highway Planning and Construction Cluster			98,269	
Total U.S. Department of Transportation			177,195	
<u>U.S. Environmental Protection Agency</u>				
Direct grants:				
Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	BF-99T32901	112,584	
<u>Executive Office of the President</u>				
Direct grants:				
High Intensity Drug Trafficking Areas Program	95.001	HT-15-2536	1,339	
<u>U.S. Department of Homeland Security</u>				
Direct grants:				
Assistance to Firefighters Grant	97.044	EMW-2015-FP-00482	10,000	
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00628	120,701	
Passed through Arizona Department of Homeland Security:				
Homeland Security Grant Program	97.067	160410-02	9,895	
Homeland Security Grant Program	97.067	170411-01	69,000	
Homeland Security Grant Program	97.067	160423-01	254,794	
Homeland Security Grant Program	97.067	160423-02	15,944	
Homeland Security Grant Program	97.067	170439-01	232,438	
Homeland Security Grant Program	97.067	160409-01	6,922	
Total Homeland Security Grant Program			588,993	
Total U.S. Department of Homeland Security			719,694	
Total Expenditures of Federal Awards			\$ 2,153,648	\$ 54,000

CITY OF YUMA, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Yuma, Arizona under programs of the federal government for the year ended June 30, 2018. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *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.

NOTE 4 – INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

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: No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG-Entitlement Grants Cluster

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

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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

Finding Number: FS-2018-001

Repeat Finding: No

Type of Finding: Significant Deficiency

Description: Financial Reporting

CRITERIA

Management is responsible for establishing and maintaining internal controls to ensure the City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Controls should include a review of the financial statements to ensure liabilities are properly accrued. Adequate internal controls should exist to ensure proper cash reconciliations are performed monthly.

CONDITION

The City's internal controls did not operate as designed to detect errors in the financial statements.

CAUSE

The City experienced turnover in key positions during the year. Additionally, the City was not able to complete a thorough review of the financial statements prior to the audit.

EFFECT

Material audit adjustments were necessary to properly state the City's financial statements.

CONTEXT

The following errors were noted in the City's financial statements:

- A new capital lease obligation for \$1,031,836 was not recorded.
- The January 1, 2018 principal and interest payments for the improvement district were reported as a current liability on the balance sheet.
- The accrual for compensated holiday leave in governmental funds was overstated by \$1.0 million, due to the wrong beginning balance being used to prepare the schedules.
- Governmental activities depreciation expense and accumulated depreciation for infrastructure assets was understated by \$6.5 million.
- The bank reconciliations for the City's main operating account were not completed timely. Reconciliations for December 2017 – June 2018 were completed in January 2019. The June 30 year end bank reconciliation contained outstanding checks in the amount of \$629,598 that were subsequently voided in February 2019. Additionally, reconciling items totaling \$179,340 were not resolved.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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

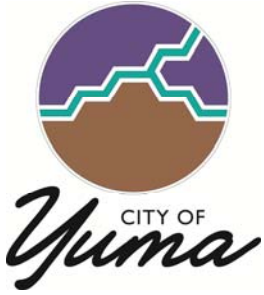
Finding Number: FS-2018-001

RECOMMENDATION

The City should ensure the financial statements are prepared in accordance with GAAP and that bank reconciliations are completed accurately and timely. Additionally, the City should ensure there is adequate time to complete a thorough review of the financial statements prior to the audit.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



FINANCE DEPARTMENT
One City Plaza
Yuma, Arizona 85364
Phone: (928) 373-5000

March 26, 2019

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 names 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.

Sincerely,

Lisa Marlin
Director of Financial Services

**CITY OF YUMA, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018**

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

Finding Number: FS-2018-001

Contact Person: Lisa Marlin, Director of Financial Services

Anticipated Completion Date: June 30, 2019

Planned Corrective Action:

Reconciliations

Finance Department management staff have reviewed the current internal controls in place for bank reconciliations and have determined that revisions are required to ensure timely and accurate completion, regardless of staff turnover. Therefore, the Finance Department is in the process of revising current internal controls to include timelines required for completion and review of all bank reconciliations. Additionally, management has determined that a re-allocation of work is necessary to provide more timely completion of bank reconciliations as well as more oversight, and are currently in the process of re-allocation of workload. Finally, management has determined that a stronger back-up procedure must be in place to ensure minimal disruption during staff leave and/or turnover of staff.

Financial Statement Review

Finance Department management staff have reviewed the fiscal year 2018 financial statement preparation process and have determined that, due to constraints in time and workload, appropriate and thorough financial statement review was not performed prior to audit. However, the Finance Department intends to begin preparing financial statements earlier than it did for fiscal year 2018 and will ensure appropriate oversight and review throughout the entire process. Additionally, staff is in the process of revising procedures to include required timelines and appropriate steps to be taken during financial statement preparation by each staff member involved in its preparation. The Director of Financial Services will perform thorough oversight and review of this process in its entirety on an annual basis in order to ensure accurate and timely financial statements.