



City of Yuma, Arizona
Single Audit Reporting Package
Year Ended June 30, 2021

**CITY OF YUMA, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2021**

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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 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, 2021, 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 29, 2022.

Report on 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) as a basis for designing 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.

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 significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as item FS-2021-001 to be a material weakness.

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-2021-002, to be a significant deficiency.

Report on 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 financial statements. 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Yuma, Arizona's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Yuma, Arizona's responses were not subjected to the other 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.
Scottsdale, Arizona
March 29, 2022

**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

Opinion on Each Major Federal Program

We have audited City of Yuma, Arizona's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, City of Yuma, Arizona complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Yuma, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Yuma, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Yuma, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Yuma, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Yuma, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Yuma, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Yuma, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Yuma, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2021, 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 29, 2022, 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. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
May 5, 2022

CITY OF YUMA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</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	B-16-MC-04-0508				\$90,532	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-17-MC-04-0508				\$7,773	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-18-MC-04-0508				\$46,702	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-19-MC-04-0508			\$9,553	\$277,031	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-20-MC-04-0508			\$65,483	\$300,030	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
COVID-19 COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	COVID-19, B-20-MW-04-0508			\$990,565	\$990,565	\$1,712,633	CDBG - ENTITLEMENT GRANTS CLUSTER	\$1,712,633
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	M17-DC040230				\$93,628	\$651,240	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	M18-DC040230				\$253,373	\$651,240	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	M19-DC040230				\$191,273	\$651,240	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	M20-DC040230				\$112,966	\$651,240	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$1,065,601	\$2,363,873			
DEPARTMENT OF JUSTICE									
COVID-19 CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19, 2020-VD-BX-1660				\$43,777	\$43,777	N/A	\$0
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	2018 BVP				\$5,312	\$5,312	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	2017-DJ-BX-0574				\$55,277	\$141,483	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	2018-DJ-BX-0865				\$11,235	\$141,483	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	DC-21-014				\$65,384	\$141,483	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	TIPS-19-001				\$9,587	\$141,483	N/A	\$0
BODY WORN CAMERA POLICY AND IMPLEMENTATION	16.835	2018-BC-BX-0022				\$115,500	\$115,500	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$306,072			
DEPARTMENT OF TRANSPORTATION									
			<i>YUMA COUNTY</i>						
			<i>INTERGOVERNMENTAL PUBLIC</i>						
			<i>TRANSPORTATION</i>						
FEDERAL TRANSIT_FORMULA GRANTS	20.507			AZ-90-X127		\$209,539	\$209,539	FEDERAL TRANSIT CLUSTER	\$209,539
STATE AND COMMUNITY HIGHWAY SAFETY	20.600			ARIZONA GOVERNOR'S OFFICE OF HIGHWAY AND SAFETY	2020-PTS-076	\$14,292	\$28,448	HIGHWAY SAFETY CLUSTER	\$44,344
STATE AND COMMUNITY HIGHWAY SAFETY	20.600			ARIZONA GOVERNOR'S OFFICE OF HIGHWAY AND SAFETY	2021-PTS-080	\$14,156	\$28,448	HIGHWAY SAFETY CLUSTER	\$44,344
NATIONAL PRIORITY SAFETY PROGRAMS	20.616			ARIZONA GOVERNOR'S OFFICE OF HIGHWAY AND SAFETY	2020-405D-055	\$5,506	\$15,896	HIGHWAY SAFETY CLUSTER	\$44,344
NATIONAL PRIORITY SAFETY PROGRAMS	20.616			ARIZONA GOVERNOR'S OFFICE OF HIGHWAY AND SAFETY	2021-405D-048	\$10,390	\$15,896	HIGHWAY SAFETY CLUSTER	\$44,344
TOTAL DEPARTMENT OF TRANSPORTATION						\$253,883			
DEPARTMENT OF TREASURY									
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19, ERMT-20-101				\$5,283,768	\$5,283,768	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$5,283,768			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
DRUG-FREE COMMUNITIES SUPPORT PROGRAM GRANTS	93.276	1 NH28CE002954				\$4,179	\$4,179	N/A	\$0
COVID-19 PROVIDER RELIEF FUND	93.498	COVID-19				\$80,224	\$80,224	N/A	\$0

TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES

\$84,403

DEPARTMENT OF HOMELAND SECURITY

ASSISTANCE TO FIREFIGHTERS GRANT	97.044		ARIZONA DEPARTMENT OF HOMELAND SECURITY	EMW-2018-FP-00362	\$1,437	\$1,437	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	190408-01	\$6,450	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	180409-04	\$50,319	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	190409-01	\$12,588	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	190408-02	\$645,729	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	190408-03	\$706,652	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	200438-01	\$317,922	\$1,748,173	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT MILITARY AFFAIRS	200607-01	\$8,513	\$1,748,173	N/A	\$0
STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)	97.083	EMW-2016-FH-00628			\$255,022	\$255,022	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY						<u>\$2,004,632</u>		

TOTAL EXPENDITURE OF FEDERAL AWARDS

\$1,065,601 \$10,296,631

Please Note:
Italicized award lines indicate pass-through funding

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

CITY OF YUMA, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA

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, 2021. The information in the Schedule is presented in accordance with the 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). 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 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.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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: 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>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG-Entitlement Grants Cluster
21.019	Coronavirus Relief Fund
97.067	Homeland Security Grant Program

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: Yes

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2021-001

Repeat Finding: No

Type of Finding: Material Weakness

Description: Internal Controls Over Cash

CRITERIA

In accordance with generally accepted accounting principles (GAAP), City management is responsible for establishing and maintaining internal controls over cash accounts and related activity. As such, the City's records of cash balances must be reconciled to the bank statements on a timely basis to ensure the financial activity of the City is accurate and complete.

CONDITION

Monthly cash reconciliations were not performed timely throughout the fiscal year and included unresolved reconciling items.

CAUSE

The combination of the City experiencing turnover in key accounting positions during 2020 and 2021, covering for staffing shortages, and lack of an advanced accounting training program or continuity planning caused significant delays in reconciliations.

EFFECT

The City may not be able to effectively manage its finances and is at risk of undetected misstatements in the accounting records if complete cash reconciliations are not performed timely and accurately. The untimely reconciliations also resulted in a significant delay in the preparation of the year end financial statements. Audit adjustments were necessary to properly state the City's financial statements.

CONTEXT

During the review of internal controls over cash, the following deficiencies were noted:

- Cash reconciliations for the primary checking and payroll bank accounts for July 2020 through June 2021 were not started until October 2021 and not completed until January and March 2022, respectively.
- The payroll bank account had carried an unresolved reconciling item of \$760,000 from November 2018.
- Departments outside of finance do not timely process revenue collection batches or mistakenly double count cash collections in the general ledger.
- During the annual audit of non-finance department cash registers, change funds and petty cash for fiscal year 2020-21, the City determined that approximately \$22,000 was missing. The City had not conducted a cash on-hand audit since fiscal year end 2018-19.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2021-001

RECOMMENDATION

The City should design and implement effective internal controls and procedures that ensure the general ledger and financial statements are free from potential misstatements. Specifically, the City should ensure that cash balances are reconciled timely on a monthly basis.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2021-002
Repeat Finding: Yes, FS-2019-001
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 all accounting transactions are properly reflected within the financial statements.

CONDITION

Internal controls did not operate as designed to detect errors in the financial statements.

CAUSE

The combination of the City experiencing turnover in key accounting positions during 2020 and 2021, covering for staffing shortages, lack of an advanced accounting training program or continuity planning and delays in cash and other reconciliations resulted in the City not able to complete a thorough review of the financial statement prior to the audit without significantly delaying the audit.

EFFECT

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

CONTEXT

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

- Insurance premiums for fiscal year 2020-21 paid in July 2021 were recorded as prepaid items and accounts payable in the Insurance Reserve Fund in the amount of \$963,640.
- Grants receivable and related revenue were overstated by \$249,859. Additionally, a grant receivable for \$81,921 was reversed in the wrong fund by the City.
- Interfund borrowing was not done properly, resulting in adjustments totaling \$465,910.
- The ambulance receivable and related allowance for uncollectibles were overstated by \$823,353 and \$543,215, respectively.
- A receivable for \$116,400 was recorded solely in the Wastewater Fund, rather than being properly allocated between the Water and Wastewater Funds.

**CITY OF YUMA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2021-002

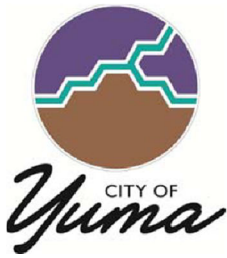
- Deferred charges on the refunding bond were not recorded correctly. The following errors were noted:
 - Unamortized premium of \$162,438 was not included in the deferred charges calculation
 - The addition of new deferred charges was recorded twice in the amount of \$73,318.
- Restricted net position was overstated by \$1,853,784 related to unused bond proceeds.
- The calculation for net investment in capital assets for governmental activities did not properly account for capital lease related debt and the deferred gain on refunding bond for a net overstatement of \$296,447.

RECOMMENDATION

The City should ensure the financial statements are prepared in accordance with GAAP. Additionally, adequate time should be allocated to complete a thorough review of the financial statements prior to the audit.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



May 5, 2022

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,

Douglas W. Allen, CPA
Director of Finance

**CITY OF YUMA, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2021-001

Contact Person: Douglas W. Allen, CPA

Anticipated Completion Date: Cash Handling November 30, 2021; Reconciliations May 30, 2022

Planned Corrective Action: Prepare and monitor a detailed Corrective Action Plan that is communicated quarterly at City Council meetings that includes, but not limited to the following:

Cash Handling:

- Eliminated opportunities for missing cash to be undetected for an extended period of time
- Reinforced current policies and procedures, including dual control
- Enhanced procedures and trained all staff that handles cash
- Closed all petty cash boxes and ended the program
- Significantly reduced cash on-hand for cash registers and change funds
- Conducting random cash audits during the fiscal year

Reconciliations:

- Require accounting to be involved when the City is bringing on a new process, application or cash point before it is implemented and operational and test impacts on reconciliations
- Automate the labor intensive reconciliations as much as possible
- Train accounting staff for all reconciliations and complex accounting transactions
- Catch up and maintain reconciliations timely and allow for adequate review
- Require all departments to process revenue batches weekly
- Include reconciliation progress in performance evaluations
- Move to ACH for all payroll and employee reimbursements and offer the option for vendors and service providers

Finding Number: FS-2021-002

Contact Person: Douglas W. Allen, CPA

Anticipated Completion Date: November 23, 2022

Planned Corrective Action: Prepare and monitor a detailed Corrective Action Plan that is communicated quarterly at City Council meetings that includes, but not limited to the following:

- Hired experience and knowledgeable staff to fill the vacated key positions
- Train accounting staff for all reconciliations and complex accounting transactions
- Catch up and maintain reconciliations timely and allow for adequate review
- Reconfigure the financial reporting model to eliminate manual calculations, linking of multiple data files and supplemental data entry
- Include audit readiness and reporting accuracy progress in performance evaluations
- Prepare quarterly financial reports that include up-to-date reconciliations
- Prepare the annual budget like the financial statements will report at year end
- Financial statements are drafted and ready for internal quality control reviews by October 15

**CITY OF YUMA, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

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

Finding Number: FS-2019-001

Status: Not corrected, see current year finding FS-2021-002

Planned Corrective Action: Prepare and monitor a detailed Corrective Action Plan that is communicated quarterly at City Council meetings that includes, but not limited to the following:

- Hired experience and knowledgeable staff to fill the vacated key positions
- Training accounting staff for all reconciliations and complex accounting transactions
- Catch up and maintain reconciliations timely and allow for adequate review
- Requiring monthly closing and review of transactions
- Presenting quarterly financial reports to City Council and the public that include up-to-date reconciliations
- Including audit readiness and reporting accuracy progress in performance evaluations
- Reconfigure the financial reporting model to eliminate manual calculations, linking of multiple data files and supplemental data entry
- Prepared and modified the annual budget to be similar to how the financial statements will report at year end
- Financial statements are drafted and ready for internal quality control reviews by October 15

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2020-001

Program Name/Assistance Listing Title: Coronavirus Relief Fund

Assistance Listing Number: 21.019

Status: Fully corrected.