

**Town of Florence, Arizona**  
**Single Audit Reporting Package**  
**Year Ended June 30, 2019**

Town of Florence, Arizona  
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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 Town Council of  
Town of Florence, 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 the Town of Florence, Arizona, (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 26, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. 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 2019-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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*.

## **Town Response to the Finding**

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

*Fester & Chapman, PLLC*

November 26, 2019



Independent Auditors' 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

To the Honorable Mayor and Town Council of  
Town of Florence, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Florence, Arizona (the Town)'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. Town'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 Town'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 Town'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 Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town 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 Town'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 Town'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 Town'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.

## **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, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated November 26, 2019, that contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 Town'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.

## **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.

*Fester & Chapman, PLLC*

November 26, 2019

Town of Florence, 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	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>						
14.228	Community Development Block Grants / State's Program and Non- Entitlement Grants in Hawaii		Arizona Department of Housing	111-118, 126-19	\$ 280,473	_____
<b>U.S. Department of Justice</b>						
16.607	Bulletproof Vest Partnership Program		N/A	N/A	3,486	_____
<b>U.S. Department of Transportation</b>						
20.205	Highway Planning and Construction	Highway Planning and Construction Cluster	Maricopa Association of Governments	None	214,451	_____
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services Programs Cluster	Arizona Department of Transportation	GRT-18-0007148-T	4,074	_____
20.600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2018-405B-003, 2018- 405D-016, 2019-405B- 003, 2019-405D-014, 2019-PTS-016	11,396	_____
<b>Total U.S. Department of Transportation</b>					<u>229,921</u>	_____
<b>Executive Office of the President of the United States</b>						
95.001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-17-2723, HT-18-2822	78,228	_____
<b>Department of Homeland Security</b>						
97.067	Homeland Security Grant Program		Arizona Department of Homeland Security	170430-01, 180429-01	187,556	_____
<b>Total Expenditures of Federal Awards</b>					<u>\$ 779,664</u>	=====

See accompanying notes to schedule.

Town of Florence, 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 includes the federal grant activity of the Town of Florence, Arizona (the Town), 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*.

Expenditures reported on the schedule are reported on the 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. 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 Town did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Town of Florence, Arizona  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2019

**Section I - Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued:	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____	<u>X</u>
Significant deficiency(ies) identified?	<u>X</u>	_____ (none reported)
Noncompliance material to the financial statements noted?	_____	<u>X</u>

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	_____	<u>X</u>
Significant deficiency(ies) identified?	_____	<u>X</u> (none reported)
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 §CFR 200.516(a)	_____	<u>X</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii
20.205	Highway Planning and Construction Cluster Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511(b)	_____ <u>X</u> _____
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Town of Florence, Arizona  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

(Continued)

**Section II - Financial Statement Findings**

2019-001 INTERNAL CONTROLS OVER ACCOUNTS PAYABLE PROCESS

- Criteria: The Town should have adequate internal controls in place to help mitigate risks of improper payments.
- Condition: During the audit, we identified that the Town made an overpayment for a construction project totaling \$79,800, which was subsequently refunded to the Town.
- Cause: The Town did not have sufficient internal control procedures to prevent or detect an error in the accounts payable process for a long-term project in a timely manner.
- Effect: An audit adjustment was necessary to properly state the Town's financial statements for corresponding capital assets and accounts receivable for the refund received in a subsequent fiscal year.
- Recommendation: The Town should evaluate its accounts payable process for long-term projects to help mitigate risks of improper payments. The Town should accumulate expenditures in a separate subsidiary ledger for each construction project, review the contractor's invoices for accuracy by comparing them to the authorized purchase orders, and regularly reconcile subsidiary ledgers to the accounts payable records and approved budget.

**Section III - Federal Award Findings and Questioned Costs**

None

**Town of Florence**  
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775 North Main Street  
Florence, Arizona 85132

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Fax (520) 868-7501  
TDD (520) 868-7502  
[www.florenceaz.gov](http://www.florenceaz.gov)

**TOWN SERVICES**

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**Building Safety**  
868-7556

**Community Development**  
868-7575

**Finance**  
868-7624

**Fire**  
868-7609

**Grants**  
868-7549

**Human Resources**  
868-7553

**Library**  
868-8311

**Municipal Court**  
868-7514

**Community Services**  
868-7589

**Police**  
868-7681

**Public Works**  
868-7620

**Senior Center**  
868-7622

**Town Attorney**  
868-7557

**Utility Billing**  
868-7680

**CORRECTIVE ACTION PLAN**

November 26, 2019

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.

**Financial Statement Finding**

2019-001 Internal Controls over Accounts Payable Process

Recommendation: The Town should evaluate its accounts payable process for long-term projects to help mitigate risks of improper payments. The Town should maintain and accumulate expenditures in a separate subsidiary ledger for each construction project, review the contractor's invoices for accuracy by comparing them to the authorized purchase orders, and regularly reconcile subsidiary ledgers to the accounts payable records and approved budget.

Action Taken: Town concurs and has implemented the recommendation.

Contact Person: Becki Jimenez, Interim Finance Director

Anticipated  
Completion Date: June 30, 2020

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2019

**Status of Financial Statement Findings**

Internal Controls over Financial Reporting

Finding No.: 2018-001

Status: Fully corrected.

Internal Control over Capital Assets

Finding No.: 2018-002

Status: Fully corrected.

Internal Control over Long-Term Liabilities

Finding No.: 2018-003

Status: Fully corrected.

Internal Control over Special Assessment Billing

Finding No.: 2018-004

Status: Fully corrected.