

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

December 31, 2017

**Schedule of Expenditures of Federal Awards – Cash Basis
And
Supplementary Information**

With

Independent Auditor's Report



FROST, PLLC
Certified Public Accountants

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Independent Auditor's Report

County Quorum Court
Washington County, Arkansas, Federal Programs
Washington County, Arkansas

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards – cash basis of Washington County, Arkansas, Federal Programs, a component unit of Washington County, Arkansas, for the year ended December 31, 2017 and the related notes.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the financial statement of the programs in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit 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* ("CFR") 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 the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards – cash basis referred to above presents fairly, in all material respects, the expenditures of federal awards under Washington County, Arkansas, Federal Programs in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement of the federal programs as a whole. The accompanying supplementary information contained on pages 7 through 13 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Report Issued in Accordance With Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2018, on our consideration of Washington County, Arkansas, Federal Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County, Arkansas, Federal Programs' internal control over financial reporting and compliance.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
July 26, 2018

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Schedule of Expenditures of Federal Awards – Cash Basis

For the Year Ended December 31, 2017

<u>Grant</u>	<u>Grant ID #</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Subrecipients</u>
Major Programs				
U.S. Department of Homeland Security Federal Emergency Management Agency Passed through the State of Arkansas Department of Emergency Management				
Disaster Grants - Public Assistance	4254-DR	97.036	\$ 55,884	\$ -
Disaster Grants - Public Assistance	4318-DR	97.036	396,503	-
Emergency Management Performance Grants FY 2016	FY16-EMPG	97.042	<u>76,895</u>	<u>-</u>
Total major programs			<u>529,282</u>	<u>-</u>
Nonmajor Programs				
U.S. Department of Health and Human Services Medical Reserve Corps - Capacity Building Award	5MRCSG101005-03	93.008	1,315	-
Substance Abuse and Mental Health Services Administration - Drug Courts FY 2012	12T124160A	93.243	250	-
Substance Abuse and Mental Health Services Administration - Drug Courts FY 2017	1H79TI080136-01	93.243	2,827	-
Office of National Drug Control Policy High Intensity Drug Trafficking Area FY 2015	G15GC004A	95.001	44,370	39,632
High Intensity Drug Trafficking Area FY 2016	G16GC004A	95.001	181,078	170,536
High Intensity Drug Trafficking Area FY 2017	G17GC004A	95.001	81,437	81,437
U.S. Department of Homeland Security Federal Emergency Management Agency Passed through the State of Arkansas Department of Emergency Management				
State Homeland Security Grant Program - Urban Search and Rescue Program FY 2015	SHSGP-FY-15-USAR	97.067	122,265	-
Special Weapons and Tactics FY 2016	FY-16-SHSGP-SWAT	97.067	97,431	-
U.S. Department of Justice State Criminal Alien Assistance Program FY 2015	2015-AP-BX-0530	16.606	1,416	-
State Criminal Alien Assistance Program FY 2016	2016-AP-BX-0055	16.606	24,304	-
Drug Court Discretionary Grant Program	2015-VV-BX-0018	16.585	126,380	-

<u>Grant</u>	<u>Grant ID #</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Subrecipients</u>
Nonmajor Programs (cont.)				
U.S. Department of Transportation				
Highway Safety Cluster				
Passed through the Arkansas State Police				
Selective Traffic Enforcement Project FY 2016/2017	OP-2017-03-02-36	20.600	\$ 2,817	\$ -
Selective Traffic Enforcement Project FY 2016/2017	SE-2017-13-01-36	20.600	6,552	-
Selective Traffic Enforcement Project FY 2017/2018	OP-2018-03-02-36	20.600	463	-
Selective Traffic Enforcement Project FY 2017/2018	SE-2018-13-01-36	20.600	1,610	-
Selective Traffic Enforcement Project FY 2016/2017	M5X-2017-05-06-36	20.616	673	-
Selective Traffic Enforcement Project FY 2017/2018	M5X-2018-05-06-36	20.616	276	-
Total nonmajor programs			<u>695,464</u>	<u>291,605</u>
Total programs			<u>\$ 1,224,746</u>	<u>\$ 291,605</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards – cash basis.

Notes to Schedule of Expenditures of Federal Awards – Cash Basis

For the Year Ended December 31, 2017

1. Summary of Significant Accounting Policies

- a. **Organization** – The schedule of expenditures of federal awards (“SEFA”) of Washington County, Arkansas, Federal Programs (the “County”) is a report on the federal programs of Washington County, Arkansas, which are specifically defined below.

<u>Grant Name</u>	<u>Grant Number</u>	<u>Abbreviation</u>
Disaster Grants - Public Assistance	4254-DR	FEMA-4254
Disaster Grants - Public Assistance	4318-DR	FEMA-4318
Drug Court Discretionary Grant Program	2015-VV-BX-0018	DRUG COURT-FY15
Emergency Management Performance Grants FY 2015	FY15-EMPG	EMPG-FY15
Emergency Management Performance Grants FY 2016	FY16-EMPG	EMPG-FY16
High Intensity Drug Trafficking Area FY 2015	G15GC004A	HIDTA-FY15
High Intensity Drug Trafficking Area FY 2016	G16GC004A	HIDTA-FY16
High Intensity Drug Trafficking Area FY 2017	G17GC004A	HIDTA-FY17
Medical Reserve Corps - Capacity Building Award	5MRCSG101005-03	MRC-FY13
Selective Traffic Enforcement Project FY 2016/2017	OP-2017-03-02-36	STEP-FY16/17
Selective Traffic Enforcement Project FY 2016/2017	SE-2017-13-01-36	STEP-FY16/17
Selective Traffic Enforcement Project FY 2016/2017	M5X-2017-05-06-36	STEP-FY16/17
Selective Traffic Enforcement Project FY 2017/2018	OP-2018-03-02-36	STEP-FY17/18
Selective Traffic Enforcement Project FY 2017/2018	SE-2018-13-01-36	STEP-FY17/18
Selective Traffic Enforcement Project FY 2017/2018	M5X-2018-05-06-36	STEP-FY17/18
Special Weapons and Tactics FY 2016	FY-16-SHSGP-SWAT	SWAT-FY16
State Criminal Alien Assistance Program FY 2015	2015-AP-BX-0530	SCAAP-FY15
State Criminal Alien Assistance Program FY 2016	2016-AP-BX-0055	SCAAP-FY16
State Homeland Security Grant Program - Urban Search and Rescue Program FY 2015	SHSGP-FY-15-USAR	SHSG-FY15
Substance Abuse and Mental Health Services Administration - Drug Courts FY 2012	12TI24160A	SAMHSA-FY12
Substance Abuse and Mental Health Services Administration - Drug Courts FY 2017	1H79TI080136-01	SAMHSA-FY17

- b. **Financial reporting** – This report includes all funds and accounts directly related to the above mentioned grants.
- c. **Basis of presentation** – The SEFA includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2017. The information in the SEFA 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*. Because the SEFA presents only a selected portion of the operations of the County, it is not intended to and does not include all of the funds and account groups relevant to the operations of the County.

Notes to Schedule of Expenditures of Federal Awards – Cash Basis

For the Year Ended December 31, 2017

1. **Summary of Significant Accounting Policies (cont.)**

- d. **Basis of accounting** – Expenditures reported on the SEFA are reported on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. All transactions relating to the County's participation in the federal programs are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the statement. Disbursements are recognized following the cost principles contained in the U.S. Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County operates under an elected form of government similar to a mayor-council format. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," have been considered. The SEFA represents only the federal programs of the County, and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

2. **Indirect Cost Rate**

The County has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 200.414, "Indirect (F&A) Costs."

3. **Contingencies**

The County is subject to possible examinations with respect to grants made by regulations governing its grant activities. These examinations may result in required refunds by the County to the grantors.

4. **Subrecipients**

Several local governmental law enforcement agencies are subrecipients for the Office of National Drug Control Policy High Intensity Drug Trafficking Area grants. Disbursements to subrecipients are considered to be made when the grants' funds are received and then subsequently disbursed to the subrecipients.

Notes to Schedule of Expenditures of Federal Awards – Cash Basis

For the Year Ended December 31, 2017

5. **Budgets (Unaudited)**

The budgets, if applicable, for the grants identified in Note 1 are as follows:

	<u>SHSG- FY15</u>	<u>SWAT- FY16</u>	<u>HIDTA- FY15</u>	<u>HIDTA- FY16</u>	<u>HIDTA- FY17</u>
Program costs					
Machinery and equipment	\$ 163,000	\$ 137,517	\$ -	\$ -	\$ -
Other	-	-	39,652	60,760	84,815
Personnel	-	-	181,799	175,688	209,264
Professional fees and services	-	-	59,100	61,200	69,049
Supplies	-	-	5,100	10,000	15,100
Training	52,000	25,000	-	-	-
Transportation	10,000	-	2,000	2,000	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total program costs	<u>\$ 225,000</u>	<u>\$ 162,517</u>	<u>\$ 287,651</u>	<u>\$ 309,648</u>	<u>\$ 381,228</u>

	<u>SAMHSA- FY17</u>	<u>STEP- FY16/17</u>	<u>STEP- FY17/18</u>	<u>Total</u>
Program costs				
Machinery and equipment	\$ -	\$ -	\$ 2,500	\$ 303,017
Other	271,523	-	-	456,750
Personnel	41,527	20,000	17,500	645,778
Professional fees and services	-	-	-	189,349
Supplies	-	-	-	30,200
Training	-	-	-	77,000
Transportation	11,950	-	-	28,950
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total program costs	<u>\$ 325,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 1,731,044</u>

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Statement of Cash Receipts, Disbursements and
Changes in Fund Balances – Cash Basis

For the Year Ended December 31, 2017

	SHSG- FY15	SWAT- FY16	EMPG- FY15
Receipts			
Federal advances/reimbursements	\$ 78,868	\$ 66,498	\$ 22,230
Disbursements			
Capital outlay and equipment	-	-	-
Emergency management	-	-	-
Law enforcement	122,265	97,431	-
Other	-	-	-
Total disbursements	122,265	97,431	-
Excess of cash receipts over disbursements or (disbursements over receipts)	(43,397)	(30,933)	22,230
Fund balances (deficit) - beginning of year	-	-	(22,230)
Fund balances (deficit) - end of year	\$ (43,397)	\$ (30,933)	\$ -

EMPG- FY16	SCAAP- FY15	SCAAP- FY16	MRC- FY13	DRUG COURT- FY15	HIDTA- FY15
\$ 61,759	\$ -	\$ -	\$ -	\$ 40,032	\$ 44,370
-	-	-	-	-	-
76,895	-	-	-	-	-
-	1,416	24,304	-	126,380	44,370
-	-	-	1,315	-	-
<u>76,895</u>	<u>1,416</u>	<u>24,304</u>	<u>1,315</u>	<u>126,380</u>	<u>44,370</u>
(15,136)	(1,416)	(24,304)	(1,315)	(86,348)	-
-	1,416	57,488	2,875	(1,709)	-
<u>\$ (15,136)</u>	<u>\$ -</u>	<u>\$ 33,184</u>	<u>\$ 1,560</u>	<u>\$ (88,057)</u>	<u>\$ -</u>

See independent auditor's report.

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Statement of Cash Receipts, Disbursements and
Changes in Fund Balances – Cash Basis (cont.)

For the Year Ended December 31, 2017

	HIDTA- FY16	HIDTA- FY17	SAMHSA- FY17
Receipts			
Federal advances/reimbursements	\$ 181,078	\$ 81,437	\$ 1,303
Disbursements			
Capital outlay and equipment	-	-	-
Emergency management	-	-	-
Law enforcement	181,078	81,437	-
Other	-	-	2,827
Total disbursements	181,078	81,437	2,827
Excess of cash receipts over disbursements or (disbursements over receipts)	-	-	(1,524)
Fund balances (deficit) - beginning of year	-	-	-
Fund balances (deficit) - end of year	\$ -	\$ -	\$ (1,524)

<u>SAMHSA- FY12</u>	<u>STEP- FY16/17</u>	<u>STEP- FY17/18</u>	<u>FEMA- 4254</u>	<u>FEMA- 4318</u>	<u>Total</u>
\$ 250	\$ 12,136	\$ -	\$ 17,740	\$ -	\$ 607,701
-	-	-	55,884	396,503	452,387
-	-	-	-	-	76,895
-	10,042	2,349	-	-	691,072
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,392</u>
<u>250</u>	<u>10,042</u>	<u>2,349</u>	<u>55,884</u>	<u>396,503</u>	<u>1,224,746</u>
-	2,094	(2,349)	(38,144)	(396,503)	(617,045)
<u>-</u>	<u>(2,094)</u>	<u>-</u>	<u>(25,779)</u>	<u>-</u>	<u>9,967</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,349)</u>	<u>\$ (63,923)</u>	<u>\$ (396,503)</u>	<u>\$ (607,078)</u>

See independent auditor's report.

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Statement of Cash Receipts, Disbursements and
Changes in Fund Balances from Inception – Cash Basis

For the Year Ended December 31, 2017

	SHSG- FY15	SWAT- FY16	EMPG- FY15
Fund balances - inception of grant	\$ -	\$ -	\$ -
Receipts			
Federal advances/reimbursements	<u>181,603</u>	<u>66,498</u>	<u>76,915</u>
Disbursements			
Capital outlay and equipment	-	-	-
Emergency management	-	-	76,915
Law enforcement	225,000	97,431	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>225,000</u>	<u>97,431</u>	<u>76,915</u>
Fund balances (deficit) - end of year	<u>\$ (43,397)</u>	<u>\$ (30,933)</u>	<u>\$ -</u>

<u>EMPG- FY16</u>	<u>SCAAP- FY15</u>	<u>SCAAP- FY16</u>	<u>MRC- FY13</u>	<u>DRUG COURT- FY15</u>	<u>HIDTA- FY15</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>61,759</u>	<u>51,972</u>	<u>57,488</u>	<u>4,000</u>	<u>109,410</u>	<u>307,651</u>
-	-	-	-	-	-
76,895	-	-	-	-	-
-	51,972	24,304	-	197,467	307,651
-	-	-	2,440	-	-
<u>76,895</u>	<u>51,972</u>	<u>24,304</u>	<u>2,440</u>	<u>197,467</u>	<u>307,651</u>
\$ <u>(15,136)</u>	\$ <u>-</u>	\$ <u>33,184</u>	\$ <u>1,560</u>	\$ <u>(88,057)</u>	\$ <u>-</u>

See independent auditor's report.

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Statement of Cash Receipts, Disbursements and
Changes in Fund Balances from Inception – Cash Basis (cont.)

For the Year Ended December 31, 2017

	HIDTA- FY16	HIDTA- FY17	SAMHSA- FY17
Fund balances - inception of grant	\$ -	\$ -	\$ -
Receipts			
Federal advances/reimbursements	<u>309,623</u>	<u>81,437</u>	<u>1,303</u>
Disbursements			
Capital outlay and equipment	-	-	-
Emergency management	-	-	-
Law enforcement	309,623	81,437	-
Other	<u>-</u>	<u>-</u>	<u>2,827</u>
Total disbursements	<u>309,623</u>	<u>81,437</u>	<u>2,827</u>
Fund balances (deficit) - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,524)</u>

<u>SAMHSA- FY12</u>	<u>STEP- FY16/17</u>	<u>STEP- FY17/18</u>	<u>FEMA- 4254</u>	<u>FEMA- 4318</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>250</u>	<u>12,136</u>	<u>-</u>	<u>429,967</u>	<u>-</u>	<u>1,752,012</u>
-	-	-	493,890	396,503	890,393
-	-	-	-	-	153,810
-	12,136	2,349	-	-	1,309,370
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,517</u>
<u>250</u>	<u>12,136</u>	<u>2,349</u>	<u>493,890</u>	<u>396,503</u>	<u>2,359,090</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,349)</u>	<u>\$ (63,923)</u>	<u>\$ (396,503)</u>	<u>\$ (607,078)</u>

See independent auditor's report.

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Schedule of Sources and Status of Funds – Cash Basis

For the Year Ended December 31, 2017

	SHSG- <u>FY15</u>	SWAT- <u>FY16</u>	EMPG- <u>FY15</u>
Total program funds allocated	\$ 225,000	\$ 162,517	\$ 76,915
Less drawdowns in prior fiscal years	102,735	-	54,685
Less drawdowns during current period	78,868	66,498	22,230
Less expired funds	<u>-</u>	<u>-</u>	<u>-</u>
Program funds still available	<u>\$ 43,397</u>	<u>\$ 96,019</u>	<u>\$ -</u>
Program funds drawn down by recipient	\$ 78,868	\$ 66,498	\$ 22,230
Plus program funds available from prior year (committed to prior year)	<u>-</u>	<u>-</u>	<u>(22,230)</u>
Total program funds	78,868	66,498	-
Less funds applied to program costs	<u>122,265</u>	<u>97,431</u>	<u>-</u>
Total program funds available for disposition (committed)	<u>\$ (43,397)</u>	<u>\$ (30,933)</u>	<u>\$ -</u>

<u>EMPG- FY16</u>	<u>SCAAP- FY15</u>	<u>SCAAP- FY16</u>	<u>MRC- FY13</u>	<u>DRUG COURT- FY15</u>	<u>HIDTA- FY15</u>
\$ 76,895	\$ 51,972	\$ 57,488	\$ 4,000	\$ 200,000	\$ 307,651
-	51,972	57,488	4,000	69,378	263,281
61,759	-	-	-	40,032	44,370
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 15,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,590</u>	<u>\$ -</u>
\$ 61,759	\$ -	\$ -	\$ -	\$ 40,032	\$ 44,370
<u>-</u>	<u>1,416</u>	<u>57,488</u>	<u>2,875</u>	<u>(1,709)</u>	<u>-</u>
61,759	1,416	57,488	2,875	38,323	44,370
<u>76,895</u>	<u>1,416</u>	<u>24,304</u>	<u>1,315</u>	<u>126,380</u>	<u>44,370</u>
<u>\$ (15,136)</u>	<u>\$ -</u>	<u>\$ 33,184</u>	<u>\$ 1,560</u>	<u>\$ (88,057)</u>	<u>\$ -</u>

See independent auditor's report.

WASHINGTON COUNTY, ARKANSAS, FEDERAL PROGRAMS

Schedule of Sources and Status of Funds – Cash Basis (cont.)

For the Year Ended December 31, 2017

	HIDTA- <u>FY16</u>	HIDTA- <u>FY17</u>	SAMHSA- <u>FY17</u>
Total program funds allocated	\$ 309,648	\$ 381,228	\$ 325,000
Less drawdowns in prior fiscal years	128,545	-	-
Less drawdowns during current period	181,078	81,437	1,303
Less expired funds	<u>-</u>	<u>-</u>	<u>-</u>
Program funds still available	<u>\$ 25</u>	<u>\$ 299,791</u>	<u>\$ 323,697</u>
Program funds drawn down by recipient	\$ 181,078	\$ 81,437	\$ 1,303
Plus program funds available from prior year (committed to prior year)	<u>-</u>	<u>-</u>	<u>-</u>
Total program funds	181,078	81,437	1,303
Less funds applied to program costs	<u>181,078</u>	<u>81,437</u>	<u>2,827</u>
Total program funds available for disposition (committed)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,524)</u>

<u>SAMHSA-</u> <u>FY12</u>	<u>STEP-</u> <u>FY16/17</u>	<u>STEP-</u> <u>FY17/18</u>	<u>FEMA-</u> <u>4254</u>	<u>FEMA-</u> <u>4318</u>	<u>Total</u>
\$ 250	\$ 20,000	\$ 20,000	\$ 921,792	\$ 1,118,254	\$ 4,258,610
-	-	-	412,227	-	1,144,311
250	12,136	-	17,740	-	607,701
<u>-</u>	<u>7,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,864</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 491,825</u>	<u>\$ 1,118,254</u>	<u>\$ 2,498,734</u>
\$ 250	\$ 12,136	\$ -	\$ 17,740	\$ -	\$ 607,701
<u>-</u>	<u>(2,094)</u>	<u>-</u>	<u>(25,779)</u>	<u>-</u>	<u>9,967</u>
250	10,042	-	(8,039)	-	617,668
<u>250</u>	<u>10,042</u>	<u>2,349</u>	<u>55,884</u>	<u>396,503</u>	<u>1,224,746</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,349)</u>	<u>\$ (63,923)</u>	<u>\$ (396,503)</u>	<u>\$ (607,078)</u>

See independent auditor's report.

Supplementary Data

For the Year Ended December 31, 2017

Name and Address:	Washington County 280 North College, Suite 530 Fayetteville, Arkansas 72701
Employer Identification Number:	71-6003197
Telephone Number:	(479) 444-1708
Contacts:	Joseph Woods, County Judge Sharon Lloyd, Grant Administrator

**Independent Auditor's 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***

County Quorum Court
Washington County, Arkansas, Federal Programs
Washington County, Arkansas

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 schedule of expenditures of federal awards ("SEFA") of Washington County, Arkansas, Federal Programs (the "County") as of and for the year ended December 31, 2017, and the related notes to the SEFA, and have issued our report thereon dated July 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 SEFA, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County's SEFA 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 an item [2017-001], that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's SEFA is 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*.

We noted certain other matters that we reported to the County's management in a separate letter dated July 26, 2018.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
July 26, 2018

**Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance in Accordance With the Uniform Guidance**

County Quorum Court
Washington County, Arkansas, Federal Programs
Washington County, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the Washington County, Arkansas, Federal Programs' (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County'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 the County'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 ("CFR") 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 County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of the County 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 County'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 County'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 were not 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.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
July 26, 2018

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No
 Significant deficiencies identified? Yes None Reported
 Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes No
 Significant deficiencies identified? Yes None Reported
 Type of auditor's report issued on compliance for major federal programs. Unqualified
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

CFDA Number(s) and Name of Federal Program or Cluster

Disaster Grants - Public Assistance 97.036
 Emergency Management Performance Grants 97.042

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

Auditee qualified as a low-risk auditee? Yes No

Schedule of Findings and Questioned Costs (cont.)

For the Year Ended December 31, 2017

Section II: Financial Statement Findings*Material Weakness*

Finding:	2017-001
Criteria:	Preparation of the Schedule of Expenditures of Federal Awards ("SEFA")
Condition and Context:	The SEFA, as prepared by Washington County, Arkansas, Federal Programs (the "County"), did not include certain small projects for the Federal Emergency Management Agency ("FEMA") Grant as expended the year the expenditures occurred.
Effect or Potential Effect:	Material misstatements to the SEFA.
Cause:	Because of the personnel changes the County experienced in its Grant Administration Department during 2016, formal procedures were not in place to ensure a smooth transition between personnel regarding the various grant documentation and reporting requirements, specifically for small projects related to the FEMA Grant.
Recommendation:	We recommend the County establish a comprehensive manual of accounting policies and procedures specific to the grant administration process. We also recommend the County establish an annual training program for grant personnel to keep abreast of the various changes that may occur to the grant administration and reporting process.
Responsible Official's Response:	The Grant Administration Department has begun the process of updating its statement of operating procedures to include the phase that the FEMA small projects expenditures will be included in the audit spreadsheet as expended the year the expenditures occurred.

Section III: Federal Awards Findings

No matters are reportable.

Communication on Internal Control

County Quorum Court
Washington County, Arkansas, Federal Programs
Washington County, Arkansas

In planning and performing our audit of the schedule of expenditures of federal awards – cash basis (“SEFA”) of Washington County, Arkansas, Federal Programs, a component unit of Washington County, Arkansas, (the “County”) for the year ended December 31, 2017, 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; and the audit 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”), we considered the County’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 opinion on the SEFA, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting 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 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

We consider the following deficiency in the County's internal control to be a material weakness.

Preparation of the Schedule of Expenditures of Federal Awards

During procedures performed in relation to the Federal Emergency Management Agency ("FEMA") Grant, it was noted that expenditures for small projects were not properly reported in the year the expenditures occurred. Small projects are required to be reported as expended in the year in which the disaster occurs, even though funds may not be received until the following year. Because of the personnel changes the County experienced in its Grant Administration Department during 2016, formal procedures were not in place to ensure a smooth transition between personnel regarding the various grant documentation and reporting requirements, specifically for small projects related to the FEMA Grant. We recommend the County establish a comprehensive manual of accounting policies and procedures specific to the grant administration process. We also recommend the County establish an annual training program for grant personnel to keep abreast of the various changes that may occur to the grant administration and reporting process.

We also noted the following item that is an opportunity for strengthening internal controls and operating efficiency, which we considered appropriate to communicate to the County.

Federal Emergency Management Agency Grant

Because of the personnel changes the County experienced in its Grant Administration Department, it was noted that reimbursement requests and quarterly filing requirements were not being completed on a timely basis. This could result in a loss of reimbursement of costs incurred for these types of programs. We recommend the County create procedures and processes that establish responsibilities as to who initiates and reviews the filings to ensure all funds are received and reports are filed on a timely basis.

* * * * *

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be, and should not be, used for any other purpose.

We would like to thank all of the personnel of the County for their assistance during the audit. We appreciate the opportunity to present these comments and are available to discuss these matters further at your convenience.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
July 26, 2018