

CITY OF WILLIAMS, ARIZONA
SINGLE AUDIT ACT REPORT
FISCAL YEAR ENDED JUNE 30, 2022

CITY OF WILLIAMS, ARIZONA

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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***

The Honorable Mayor and
City Council
Williams, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Williams, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Williams, Arizona's basic financial statements and have issued our report thereon dated September 5, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williams, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Williams, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Williams, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. However, other material weaknesses may exist that have not been identified.

2021-001 Lack of documentation and controls– Williams Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williams, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

HintonBurdick, PLLC

Gilbert, Arizona

September 5, 2023

CITY OF WILLIAMS, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Federal ALN Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Housing Voucher Center Cluster:			
Passed through Arizona Department of Housing:			
Section 8 Housing Choice Vouchers	14.871	unknown	\$ 308,116
Total Housing Voucher Center Cluster			<u>308,116</u>
Passed through Arizona Department of Housing:			
Community Development Block Grant	14.228	100-21	84,626
Public and Indian Housing	14.850	unknown	87,513
COVID-19 Public and Indian Housing	14.850		9,876
Total U.S. Department of Housing			<u>490,131</u>
U.S. Department of Transportation			
Federal Aviation Administration:			
Airport Improvement Program	20.106		6,093
Total Airport Improvement Program			<u>6,093</u>
Highway Safety Cluster:			
National Highway Safety:			
Passed through Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2021-207-024	14,035
State and Community Highway Safety	20.600	2022-PTS-072	12,317
National Priority Safety Programs	20.616	2022-405d-055	59,568
Total Highway Safety Cluster			<u>85,920</u>
Total U.S. Department of Transportation			<u>92,013</u>
U.S. Department of Treasury			
Passed through the State of Arizona:			
COVID-19-Arizona CARES Fund	21.027	2020-0720-48	355,935
Total U.S. Department of Transportation			<u>355,935</u>
Total expenditure of federal awards			<u>\$ 938,079</u>

The accompanying notes are an integral part of this schedule

CITY OF WILLIAMS, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City of Williams, Arizona and is presented on the accrual basis of accounting. The information in this 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). 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. Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2022.

Note 3. Federal Loans and Loan Guarantee Programs Outstanding

The City had no balances of loan and loan guarantee programs outstanding as of June 30, 2022.



HINTONBURDICK
CPAs & ADVISORS

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

The Honorable Mayor and
City Council
Williams, Arizona

Report on Compliance for Each Major Federal Program

Disclaimer of Opinions and Unmodified Opinions

We have audited the City of Williams, 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 the City of Williams, Arizona's major federal programs for the year ended June 30, 2022. The City of Williams, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Disclaimer of Opinion on Public and Indian Housing and the Housing Voucher Cluster

Because of the matters described in the Basis for Disclaimer of Opinions on Public and Indian Housing and the Housing Voucher Cluster paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Entity's compliance with the compliance requirements applicable to Public and Indian Housing and the Housing Voucher Cluster for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Williams, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Disclaimer of Opinions and Unmodified Opinions

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 the City of Williams, 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 the City of Williams, Arizona's compliance with the compliance requirements referred to above.

Matters Giving Rise to the Disclaimer of Opinions on Public and Indian Housing and the Housing Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Williams Housing Authority (a component unit of the City of Williams, Arizona) with assistance listing number 14.850 Public and Indian Housing as described in finding number 2022-001 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension & Disbarment, and Special Tests and Provisions, consequently we were unable to determine whether the Williams Housing Authority complied with those requirements applicable to that program.

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Williams Housing Authority (a component unit of the City of Williams, Arizona) with assistance listing number 14.871 Housing Voucher Cluster, as described in finding number 2022-001 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions, consequently we were unable to determine whether the Williams Housing Authority complied with those requirements applicable to that program.

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 the City of Williams, 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 the City of Williams, 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 the City of Williams, 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 the City of Williams, 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 the City of Williams, 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 the Uniform Guidance, but not for

the purpose of expressing an opinion on the effectiveness of the City of Williams, 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-101 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Williams, Arizona's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Williams, Arizona's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the City of Williams, Arizona as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Williams, Arizona's basic financial statements. We issued our report thereon, dated September 5, 2023 which contained unmodified opinions on those financial statements with a disclaimer of opinion on the Williams Housing Authority (a component unit of the City of Williams, Arizona) opinion unit. . 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 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, except for the effects on the schedule of expenditures of federal awards of the basis for the disclaimer of opinion on the Williams Housing Authority, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

HintonBurdick, PLLC

Gilbert, Arizona

September 5, 2023

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified and Disclaimer
of Opinion

Internal control over financial reporting:

- | | | |
|--|-------------------|------------------|
| • Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified that are not
considered to be material weaknesses? | <u> </u> yes | <u> X </u> no |

Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major programs:

- | | | |
|--|-------------------|------------------|
| • Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified that are not
considered to be material weaknesses? | <u> </u> yes | <u> X </u> no |

Type of auditor's report issued on compliance
for major programs: Unmodified and Disclaimer
of Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major programs.

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.850	Public and Indian Housing
14.871	Housing Voucher Cluster
21.027	Coronavirus Local Recovery Fund

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as a low-risk auditee?	<u> </u> yes	<u> X </u> no
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CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Material Weaknesses:

2021-001. Lack of Documentation and Controls – Williams Housing Authority (reissued, reworded, upgraded)

Criteria: Complete documentation of all transactions and activity should be retained and accounted for in the Authority's accounting system.

Condition: The Housing Authority was unable to provide sufficient, reliable information for the audit to be performed.

Cause: The Housing Authority contracted with a separate management company to oversee administrative activities. The management company failed to provide all needed accounting information to the Authority's third party accountant.

Effect: The Authority's accounting is incomplete. Therefore, the audit of the Housing Authority was unable to be performed

Recommendations: The management company contract was terminated effective January 31, 2023. We recommend the Housing Authority review their processes and controls to ensure all activity is accounted for and documentation retained. We also recommend controls and processes be implemented to provide proper oversight and monitoring of the management of the Housing Authority.

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

Internal Control Over Compliance:
Material Weaknesses:

2022-101. Lack of Documentation and Controls – Williams Housing Authority
Federal program information: 14.850-Public and Indian Housing
14.871-Housing Voucher Cluster

Criteria: Complete documentation of all transactions and activity should be retained and accounted for in the Authority's accounting system. In addition, evidence of compliance with applicable federal requirements should be maintained.

Condition: The Housing Authority was unable to provide sufficient, reliable information for the audit to be performed.

Cause: The Housing Authority contracted with a separate management company to oversee administrative activities. The management company failed to provide all needed accounting information to the Authority's third party accountant and failed to provide grant related information when requested.

Effect: The Authority's accounting is incomplete and the Authority is not in compliance with Uniform Guidance. Therefore, the audit of the Housing Authority was unable to be performed.

Recommendations: The management company contract was terminated effective January 31, 2023. We recommend the Housing Authority review their processes and controls to ensure all activity is accounted for and documentation retained. We recommend that documentation of compliance activities be maintained for each federal award. We also recommend controls and processes be implemented to provide proper oversight and monitoring of the management of the Housing Authority.

Significant Deficiencies:
None noted

Compliance and Questioned Costs:
Compliance:
None noted

Questioned Costs:
No question costs reported



City of Williams

Gateway to the Grand Canyon®

Mayor
Don Dent

Vice Mayor
Frank McNelly

City Council
Mike Cowen
Craig Fritsinger
Michelle Campbell
Ken Edes
Lee Payne

City Manager
Tim Pettit

FY 2022

Audit Findings and Corrective Action Plan

Section	Finding	Corrective Action	Responsible Party	Target Date
Financial Statements	2021-001 Lack of Documentation and Controls-Williams Housing Authority (Reissue, upgraded)	The City Council has made several changes since the contractor was removed from this position of Administrators for the Williams Housing Authority. Retaining staff has become a big concern as well training of staff by HUD administrators. The City Council continues to work with HUD to correct and maintain the programs moving forward.	Tim Pettit, City Manager	June 30, 2024
Federal Award Findings and Questioned Costs	2022-101-Lack of Documentation and Controls -Williams Housing Authority	The City Council has made several changes since the contractor was removed from this position of Administrators for the Williams Housing Authority. Retaining staff has become a big concern as well training of staff by HUD administrators. The City Council continues to work with HUD to correct and maintain the programs moving forward.	Tim Pettit, City Manager	June 30, 2024



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FY 2022
Summary Schedule of Prior Audit Findings

Section	Finding	Finding Description	Status	Coorective Action
Financial Statements	2021-001	Lack of Documentation and Controls- Williams Housing Authority (Repeat Finding: Significant Deficiency)	Not Corrected	In Process, Please see 2021-001 on corrective action plan