

BOARD OF SUPERVISORS
GILA COUNTY, ARIZONA

Date: April 11, 2006

JOSÉ M. SANCHEZ
Chairman

STEVEN L. BESICH
Clerk of the Board

TOMMIE C. MARTIN
Vice-Chairman

By: Marilyn Brewer
Deputy Clerk

SHIRLEY L. DAWSON
Member

Gila County Courthouse
Globe, Arizona

PRESENT: Jose M. Sanchez, Chairman; Tommie C. Martin, Vice-Chairman; Shirley L. Dawson, Member, (participated via telephone conference call); Steven L. Besich, County Manager/Clerk; Marian Sheppard, Chief Deputy Clerk; and, Bryan Chambers, 2nd Chief Deputy County Attorney.

The Gila County Board of Supervisors met in Regular Session at 10:00 a.m. this date. Steve Stratton led the Pledge of Allegiance, and Reverend Lyle Johnston of St. Paul's United Methodist Church delivered the Invocation.

Chairman Sanchez noted that Supervisor Dawson is away on business at the State Capitol; however, she would be participating in the meeting via a telephone conference call.

Richard Gaona, Finance Director, presented the Arizona Auditor General single audit reporting package including financial statements, each major fund and aggregate remaining funds audited by Walker & Armstrong LLP, Certified Public Accountants, for Gila County's fiscal year ending June 30, 2003. He reported that Walker & Armstrong, Certified Public Accountants, in their Independent Auditor's Report of Gila County, made the following statement: "In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Gila

County as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted account principles.” Mr. Gaona state that the audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. He stated that there are 4 possible options the Auditor General can issue, as follows: 1) Adverse – Not Present Fairly, which means the financial statements are not able to be processed for auditing purposes and do not present fairly the financial position or change in financial position; 2) Disclaimer – Not Able to Audit, which means the system has too many material weaknesses in internal control or the information is not reliable enough to enable the auditors to issue an opinion; 3) Qualified, which means the auditors are able to issue an opinion with one or more exceptions; however, certain information data has material weaknesses to examine sufficient evidence in support of the accuracy or to satisfy for the effects of conformity; and, 4) Unqualified – Present Fairly, which means this option meets Government Auditing Standards. This is commonly referred to as a “clean opinion” and is the best opinion that can be issued. Mr. Gaona stated that for the audit of fiscal year 2003, Gila County received an “unqualified” opinion, the best. He stated that the opinion expressed, as certified, that Gila County was also GASB 34 compliant [Government Accounting Standards Board 34 compliant]. To be GASB 34 compliant required that all infrastructures, such as all County roads, bridges, etc., be valued, depreciated and reported properly on the financial statements. GASB 34 compliant also required a complete revision to the financial statement reporting. He stated that Gila County also complied with the requirements of the OMB Circular 133 Single Audit, which is required for all non-Federal entities that expend \$300,000 or more of Federal awards in a year, and there were no questioned costs. Mr. Gaona stated that the results of overall operations for the year were fund balance increases in the following accounts: 1) General Fund-\$300,000;

2) Public Works-\$1.9 million; and, 3) Governmental-\$3 million for a total of \$5.4 million. The total fund balances at the end of the year were in excess of \$17.7 million. He concluded by stating that Gila County still has some issues to correct, as recommended by the auditors, which the County is already working to correct. He also stated that it should be noted, however, that none of these issues were considered by the auditors to be material in nature, otherwise a “clean opinion” would not have been issued. This was the 2002/03 audit with 2003/04 and 2004/05 still needing to be audited. Supervisor Dawson requested an explanation to the following questions: 1) “Why is this report by Walker & Armstrong dated August 25, 2005, and a response by Steve Besich on page 65 is also dated August 25, 2005, and yet the Board did not receive the report until a month ago? Is there some reason why the Board is not privy to this material until after the fact? 2) Isn’t it normal for a Board to have the auditors make the report to the Board and then the Board accepts or rejects the audit? 3) Why do some of these corrections date back prior to Mr. Gaona being the Finance Director, and yet Mr. Gaona’s name reflects on every corrective action planned as the responsible person? Chairman Sanchez called on Dennis Miller, Gila County Financial Consultant, to speak to the issues. Mr. Miller stated, “In regard to the delay on the issuance of the report, the report was issued and drafted and in addition to the report being issued, because Walker & Armstrong are employed by the Arizona State Auditor General, the Auditor General gets the report first and they go back and forth on minor points and it took some time before we actually got them. The Board of Supervisors received the report the same time as the staff, and the audit report stands alone; the County and the Board neither accept nor reject the report.” He stated that during the process of preparation, if the County disagrees with some of the findings, “We argue that or we respond and if the findings are valid we agree to correct it.” Mr. Miller stated that as far as Mr. Gaona being responsible, “The audit looks at the entity. It looks at the County itself, like it’s a person, and whoever is in charge at the time of the audit, that’s who it’s

directed to, and Richard Gaona is the Chief Financial Officer so that's why he becomes responsible." He stated that the people who were in charge at the time are not available. Supervisor Dawson stated, "My question remains the same, and John Nelson [Deputy County Manager] is available and he was responsible in 2003. This [audit] actually goes from 2002 up to June 30, 2003, when Mr. Nelson was the County Manager and Finance Director and I feel he was responsible for this." She then repeated her question of why Walker and Armstrong are not making this presentation to the Board. Chairman Sanchez stated that Walker & Armstrong are assigned by and report to the Auditor General, and then the information is made available to the County staff. Chairman Sanchez asked Mr. Miller to repeat the information again. Mr. Miller stated that the Arizona Auditor General is responsible for auditing all Arizona counties. The Auditor General's Office doesn't have enough staff to conduct all of the audits, so some counties are audited by the Auditor General's staff and the Auditor General enters into contracts to perform audits on other counties. The contracted auditors are rotated generally every 3 years so a County gets a different auditing firm. He stated that in this particular case, Gila County's audit was conducted by Walker & Armstrong, a company under contract with the Auditor General; therefore, the County does not have the authority to accept or reject the audit. Mr. Miller emphasized that Gila County received an "unqualified" opinion, which is difficult to get. The County is also GASB 34 compliant, and along with that is included GASB 35, 37 and 38, which is even more difficult to get. Supervisor Dawson stated that this is the 2002/2003 audit and the Board was given a calendar/schedule showing that this audit would be completed by December 2005, and the 2003/2004 audit was scheduled for completion by this time or March 2006. She stated, "I understand that we want to give everybody time to ensure that it's accurate and correct...I'm glad that we have corrected the mistakes and GASB, but we also have these other areas like our Chart of Accounts which we say we're going to have done this month or next on page 66 of the report. The

corrections start there on findings 1-6 on things that aren't in compliance and how are we correcting them? I've asked for work sessions as I felt it should take some time to go through and I believe the Board has a responsibility to report to the taxpayers that, in fact, the funds are being correctly managed and to do that we need to go through each one of these and be assured that the recommendations of the auditor have been followed and that we have corrected these things." Chairman Sanchez stated, "As far as I'm concerned, I wanted to look at the positive things that have been presented here...It's done [the audit] as required by the State Auditor General and that's who we're responsible to. Of course, the ultimate responsibility is to the taxpayers and that's why we are putting the effort into ensuring we have qualified people on board to do these audits. In my discussions with Mr. Miller and Mr. Besich, some of the reasons for the change in schedule are beyond our control, and that's the way things roll." Vice-Chairman Martin stated that the way she looks at this is, "We were in a situation not necessarily of our own making. We were in a lag time to start with, in a lag with other counties. To say we were in trouble with the Auditor General is a big stretch. What I look at is I am very proud of this effort. You can't beat an 'unqualified' audit opinion and to be GASB compliant to the degree that we are is a great thing. I am no more concerned about what 2004 and 2005 will show than what 2002/03 showed. We have the same people on board; we have the same practices in place...I am very proud of this effort and the people. Again, you can't beat an 'unqualified' rating. That is a loud and clear message to the taxpayers that the accounting is being done correctly...While there are minor things to be corrected, the major thing is the 'unqualified' opinion on this." Steve Besich, County Manager/Clerk, stated, "The thing we need to always remember is that counties are an arm of the State. We cannot negotiate with the Auditor General on what she needs to do in this case whether she wants to do it [the audit] herself or whether to contract it out. That is part of her constitutional responsibilities through the State Legislature, and these reports go directly back to the State and to our

banks, bonding companies and anybody else that provides lease/purchase finance to our County. We can go into all the detail you want, but this is an ‘unqualified’ opinion. I asked this room to be full [of employees] today because there are many of our employees from elected officials [departments] and the Finance Department, and especially from the Treasurer’s Office, who we have developed a very strong bond with and they did nothing but put their shoulder to the wheel and take on some very difficult circumstances. We seem to sometimes forget that there are some other things going on in this County. We had some floods and fires; the Finance Manager quit. The Deputy County Manager has now because of his single-handed efforts led us into the Arizona Long Term Care System fight and saved this County \$5 million a year, and it’s somewhat disheartening when we have one issue and we want to zap this staff up and rap them on the knuckles and say, ‘you are not doing your job.’ I apologize for getting emotional about this...We have pushed forward and pushed forward. I want to thank everybody in this room that helped.”

Supervisor Dawson stated, “I am not suggesting by asking for accountability and asking for clear understanding of these audits that I am critical of any staff that has been involved in trying to bring our audits current and in making sure that every department in the County, especially those who have grant monies, have a way so that they have a current balance and so they understand what the accounting procedures are for the County, that money is accounted for and that timely reports are made. I am asking that we continue to improve our system. I think we are very right that we have greatly improved in the last year and with the new [accounting] system, there should be terrific improvement going on. I’m not beating up anyone. I’m saying let’s have these accurate records. Again, no one has trained me, or maybe they’ve trained you, Mr. Chairman, or other Board members on the fact that this is all just the Auditor General’s responsibility. I do not believe for a moment that we are not the first point of responsibility to every department in Gila County for an accurate financial department and accounting procedures that make it so that every

department has timely reports on their finances. I know many departments still have to use Quick Books or some other program to try to keep their grant money at a current balance so they know where they stand with their grant funds and I'm proud of them for doing that. I hope the new program will take care of that in the Finance Department." Supervisor Dawson then inquired of Mr. Gaona where the County stands on changing the Chart of Accounts, as noted on page 66 of the report, as well as when the 2004 audit is expected to be completed. Mr. Gaona replied that the County does not have a timetable, but Miller & Allen will be here on July 1, 2006, to conduct their field audit. He stated, "...From now through June 30, 2006, our staff and departments will do diligent work on getting the 2004 and 2005 audit out so Miller & Allen can start their work on July 1st. That's not an ideal time frame; that's a goal for Gila County. That was our goal that we were going for on the 2003 audit, but we missed our deadline because there were issues that were not foreseen, and yes, we missed our goal, but again those are ideal schedules, not necessarily when it's going to get done...We are working on every one of those items on page 66 through 70. We have hit each issue every day by either having corrected it or in the process of getting the operation to be a better system than we have now. We don't need to wait for a new Gila County system software package to correct these items including the Chart of Accounts. As the Auditor General and Walker & Armstrong have indicated in their report, the 'unqualified' opinion says it's a clean opinion and did not have any questionable costs to where it cost the taxpayers any money on these issues...As far as a timetable, I'm sorry but I can't give you a timetable..."

Chairman Sanchez stated, "In reference to what Supervisor Dawson stated about training, I'm not sure what her inference is as far as staff training me or the Board training me or what. I have a completely different outlook. I see a lot of talented people here in this room and a lot of people that have worked hard and it's not only this year, it's from the time I've been on this Board...I would like to re-emphasize that as far as dates, times and schedules, we are at

the mercy of the Auditor General and their staff and the people they hire.”

Vice-Chairman Martin stated, “I think one of the things going on here is we are confusing what an audit is about. We confuse audit with financial business. I don’t know of anybody that manages their business with an audit. An audit is a verification or validation that what we have in place is correct. There’s always a lag between an audit and the end of any fiscal year and there could be several years of a lag. What an audit does is verify that ongoing management is correct and that’s exactly what has gone on here. We can kick and fuss about poor practices all we want to, but in fact we got an ‘unqualified’ opinion on what we were doing in 2002/03. And we have the same people in place so I have no doubt we will get the same opinion as we go. The very validating thing to me is that our processes and practices were correct. We are in the process of improvement and we have to continue doing that. I’m curious if any other county is GASB compliant at this point. I think we get our wires crossed on what we are doing and why, and what it means in the long term. We have accounting management that goes on constantly that tells us where we are in relation to today, and the auditors are here to give a stamp of approval to that process...but to use these audits to manage us is to me like driving down a road at 70 mph with a windshield covered with paper and using the rear view mirror and not expecting a wreck. That is not what an audit is for.”

Supervisor Dawson stated, “For all those there in the audience, I want to thank each one of them for working to try to get good accurate reporting financial practices established...I believe that state statute says we have 6 months after the close of the fiscal year to be ready to be audited. We are now saying on July 1st of this year, we will be ready to be audited for 2003-04. That is not a timely operation and having all of our records in order. I look forward to working with all the departments in making sure we are able to do so. Sometime maybe in 2007, 6 months after the close of the fiscal year, we’ll be ready...Let’s get it correct, let’s be accurate and I believe Mr. Gaona is working hard on that.” Supervisor Dawson then inquired if the County is on schedule

to start running the New World System finance program concurrent with the current County system in July. Mr. Gaona stated that the County has a timetable for New World Systems to begin training County employees on May 1, 2006; however, the timetable New World Systems provided reflects the “live” schedule to be in late August or early September, but he believes there might be delays and it will be January 1, 2007 before the County goes “live.” Chairman Sanchez gave some brief concluding remarks and thanked the staff, Mr. Gaona, Mr. Miller, Mr. Besich and Mr. Nelson. No action was taken by the Board.

Steve Stratton, Public Works Division Director, requested authorization to advertise Call for Bids No. 031506-1 for the supply of SBS polymer liquid asphalt chip seal oil used by the Public Works Consolidated Roads Department at various locations in Gila County. He stated that an item was brought to the Board a few months ago to purchase chip seal oil; however, this request is to purchase a modified chip seal oil that is laden with polymer and is used in a different application than the normal chip seal oil. Upon motion by Supervisor Dawson, seconded by Vice-Chairman Martin, the Board unanimously authorized advertising Call for Bids No. 031506-1 for the supply of SBS polymer liquid asphalt chip seal oil.

Mr. Stratton requested authorization to advertise Call for Bids No. 031706-1 for chip spread services which will apply to Gila County projects throughout the 2006 spring and summer season. He stated that the Board recently approved the purchase of a chip spreading machine; however, it will not be delivered in time to do the chip sealing needed to be done for this season. Upon motion by Vice-Chairman Martin, seconded by Supervisor Dawson, the Board unanimously authorized advertising Call for Bids No. 031706-1 for chip spread services.

Dave Fletcher, Health and Community Services Division Director, requested authorization to advertise Call for Bids No. 032706-1 for an Assessment Report of Rapid Response Services to develop a comprehensive

plan for the REPAC Consortium under WIA (Workforce Investment Act) Title IB Dislocated Worker Programs in order to complement the existing services and provide a format for marketing and sharing “best practices” related to Rapid Response and Dislocated Worker Programs in the State of Arizona. He stated that REPAC, which stands for Re-Employment and Pre-Layoff Assistance Center, has been in existence for approximately 20 years. Gila County provides services to this Consortium of 8 counties and 19 Indian tribes. He stated that when a company is laying off employees, the County is contacted and then engages those employees to advise them of the services provided by the County by assisting them in securing employment elsewhere or receive training to be employed at some other industry. Upon motion by Supervisor Dawson, seconded by Vice-Chairman Martin, the Board unanimously authorized advertising Call for Bids No. 032706-1 for an Assessment Report of Rapid Response Services.

Joe Mendoza, Community Development Division Director, requested approval for the addition of a Plan Reviewer position for the Gila County Community Development Division. He stated that every set of plans turned in for a project or permit has to be approved and the number of plan reviews performed has doubled since 1990. He stated that his Division is working with one less employee than in 1990, which means that the turnaround time is slowing down. Mr. Mendoza explained that his staff has been working long hours and taking plans home during vacation in order to get the work done; therefore, he was requesting this position to increase the level of customer service and shorten the turnaround time in line with what it should be. He stated that by conserving budget funds in other areas this position would not require a budget increase for the current fiscal year; however, additional funding in the amount of \$39,016.00 would be necessary for fiscal year 2006/2007. Supervisor Dawson stated that her question would be about following the hiring procedure, which was approved at the same time the Board approved the salary study. Chairman Sanchez clarified with Supervisor

Dawson if her question was, “Does this fall within or outside those 3 items that the Board adopted at that time?” Supervisor Dawson replied in the affirmative. Steve Besich stated that he recalls that the Board said it would only consider positions that had been funded from the adopted budget such as promotions, time and grade, etc.; however, this request falls into the ‘not funded’ position. Mr. Besich advised that a survey was conducted of the County’s Planning and Zoning Department and Building Permitting Department operating procedures. One of the recommendations was that the County increase the staff in those areas and he asked the Board to consider this recommendation. He stated, “I know the Board has a tough position, but we need to recognize that there is definitely some pressure out there and you get all the complaints and then everything runs down hill, and Mr. Mendoza is at the end of the knot where the rubber hits the road. I wanted to make a comment so that you wouldn’t think the staff was trying to get anybody or have the County placed in a position that would violate something you already decided several months ago.” Chairman Sanchez stated that his position is that this request would be an additional position, which is beyond the 4 areas that the Board looked at and adopted. He stated that in order to not violate what the Board has adopted and stay in compliance, hopefully Public Sector Personnel Consultants will submit recommendations in the near future and he feels that those recommendations should be addressed in the next fiscal year budget. Vice-Chairman Martin stated that she believes most of the plan reviews are done in Payson. She stated that there are 2 plan reviewers in Payson and that on Thursdays one of those employees comes to Globe to review plans here, so it is not a matter of looking at 2 full-time plan reviewers up there. She stated that the plan reviewers are also inspectors when called upon. Vice-Chairman Martin stated that she knows one of the plan reviewers took 10 sets of plans with him on vacation, which is “no vacation.” She stated, “I think if we don’t intend to give him [Mr. Mendoza] more help as the survey said we needed to do...then we need to shift gears and tell him thanks for doing what we’ve asked you to do,

but now we're asking you to do something else and that is that your folks don't take work home and don't work those extra hours and when the Board calls to complain, you should tell them to go back to the end of the line like everybody else." Vice-Chairman Martin stated that she didn't realize the Board had inadvertently implemented a hiring freeze, as she thought the Public Sector salary survey was conducted to determine whether or not salaries are equitable and not a staffing needs analysis. After continued Board discussion, Vice-Chairman Martin made the motion to approve the addition of a Plan Reviewer for the Gila County Community Development Division. The motion died for lack of a second. No other motion was made; therefore, the item was not approved. Chairman Sanchez thanked Mr. Mendoza for bringing this concern to the Board and pledged to do his best to address these concerns for the coming budget year.

Upon motion by Supervisor Dawson, seconded by Vice-Chairman Martin, the Board unanimously approved consent agenda items 7A-7I. Upon motion by Vice-Chairman Martin, seconded by Chairman Sanchez, the Board approved consent agenda item 7J by a 2-0 vote. Supervisor Dawson abstained from voting because of a conflict of interest. The consent agenda items are as follows:

- A. Authorization of the Chairman's signature on Infinite Visions Licensed Software Agreement No. 040000 and Infinite Visions Software Support Agreement No. 040000 between Gila County and Windsor Management Group for software modules for the Gila County General Ledger for the Gila County School Superintendent's Office.
- B. Adoption of Resolution No. 06-04-01 naming a road in the Wheatfields area of Globe, Arizona, to be called Oasis Drive. **(A copy of the Resolution is permanently on file in the Board of Supervisors' Office.)**
- C. Approval of Amendment No. 2 to Contract No. HP461413-01 between the Gila County Health Department and the Arizona Department of Health

Services extending the Contract for community health nursing for the period July 1, 2006, through June 30, 2007.

- D. Approval of Amendment No. 5 to an Intergovernmental Agreement (Contract No. HG354349) between the Gila County Health Department, Tobacco Free Environments Program, and the Arizona Department of Health Services, Tobacco Education and Prevention Program, which reduces the “Professional and Outside Services” line item and increases the “Travel” and “Other Operating” line items.
- E. Approval to appoint Gary V. Scales and John T. Franklin as part-time Judges Pro Tempore of the Globe Regional Justice Court for the balance of the 2006 calendar year.
- F. Approval of a request by T.A.P. Enterprises, Inc., to rent the commercial side of the Exhibit Hall at the Fairgrounds for a tool sale to be held on May 3-4, 2006.
- G. Approval of the March 2006 monthly departmental activity reports submitted by the Globe and Payson Regional Constables.
- H. Approval of the personnel reports/actions for the week of April 10, 2006, as follows:

Departure from County Service:

- 1. Recorder’s Clerk II – Recorder – 03-07-06 – General Fund - Patricia Dodd – Hire 02-07-06 – Failure to complete probation
- 2. Legal Secretary I – County Attorney – 03-28-06 – General Fund - Tamora Zappela – Hire 06-01-05 – Failure to complete probation
- 3. Road Maintenance Worker II – Consolidated Roads – 03-02-06 – Road Fund - Jamy Strobach – Hire 10-04-04 – Resigned for other employment

Hire to County Service:

4. Public Health Nurse – Health Services – 04-03-06 – Health Services Fund - Sabine Sorgalla – replaces Lucinda Butler
5. Road Maintenance Worker II – Consolidated Roads – 04-12-06 – Road Fund - Johnny DeHart – replaces Jamy Strobach
6. Clerk II – Recorder – 04-10-06 – General Fund - Rachel Hensler – replaces Patricia Dodd

Temporary Hire to County Service:

7. Probation Aide – Probation – 04-05-06 – General Fund - David Krejei

End Probationary Period:

8. Clerk/Receptionist – Health Services – 04-03-06 – Health Services Fund - Denise Hansen
9. Community Nutrition Worker I – Health Services – 04-17-06 – Health Services Fund – Katie Davis
10. Community Nutrition Worker I – Health Services – 04-03-06 – Health Services Fund – Vera Nock

Position Review:

11. Change fund codes – Deputy Probation Officer – Probation – 04-03-06 – J.I.P.S Fund to State Aid Enhancement Fund – Brenda Newton

12. Anniversary Date Increase – 03-20-06 – Joseph Eylicio, Cassandra Burton, Karen Eylicio
13. Anniversary Date Increase – 04-03-06 – Betty Vanta, Christine Rocha, Jason Philpot, Vanessa Spears, Cecille Masters-Webb
14. Anniversary Date Increase – 04-17-06 – Tammy Guevara, Denise Dickison

Request Permission to Post:

15. Maintenance Technician I – Facilities Management – position vacated by Gabriel Eylicio
16. Legal Secretary I – County Attorney – position vacated by Tamora

Zappela

- I. Approval of the finance reports/demands/transfers for the week of April 10, 2006, (separate handout) as follows: \$728,633.48 was disbursed for County expenses by voucher numbers X150547 through X150618, X383401 through X383460 and X383462 through X384530, and X384532 through X384640. The hand-issued warrants listing is as follows: voucher number X382044 in the amount of \$7,000.00, voucher number X382377 in the amount of \$125.44, and voucher number X382407 in the amount of \$50,000.00. **(An itemized list of vouchers is permanently on file with the Board of Supervisors.)**
- J. Approval of a payment for services in the amounts of \$537.10, \$432.10, \$432.10, \$432.10, \$174.60, \$698.10 and \$535.60 to Fly-A-Way Travel.

At this time each Board member and the Chief Administrator were presented the opportunity to give a brief summary of current events as allowed by A.R.S. §38-431.02(K). No action was taken by the Board.

There being no further business to come before the Board, Chairman Sanchez adjourned the meeting at 11:42 p.m.

Jose M. Sanchez, Chairman

ATTEST:

Steven L. Besich, County Manager/Clerk