
La Paz County, Arizona

Single Audit Reporting Package

June 30, 2011

**La Paz County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2011**

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Report Issued Separately

Basic Financial Statements

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 18, 2013. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. We conducted our audit 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.

Internal Control over Financial Reporting

The County's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. 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 such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that

we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 11-01 through 11-10 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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*.

La Paz County's responses to the findings identified in our audit are presented on pages 10 through 16. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the county, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Phoenix, Arizona
February 18, 2013

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

Compliance

We have audited La Paz County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, La Paz County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Schedule of Findings and Questioned Costs as items 11-11 through 11-12.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-11 to be a material weakness.

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 11-13 through 11-18 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2011, and have issued our report thereon dated February 18, 2013. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

La Paz County's responses to the findings identified in our audit are presented on pages 23 through 27. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

REDW LLC

Phoenix, Arizona
February 18, 2013

La Paz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through Arizona Department of Housing Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	149-10	\$ 59,497
Total U.S. Department of Housing and Urban Development			<u>59,497</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		1,806,515
Passed through Arizona Bureau of Land Management National Fire Plan – Wildland Urban Interface Community Fire District	15.228	L08AC14959	17,000
Total U.S. Department of the Interior			<u>1,823,515</u>
U.S. Department of Justice			
Passed through Arizona Criminal Justice Commission ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 10-037	114,804
ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 10-032	71,630
Total ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government			<u>186,434</u>
Crime Victim Assistance	16.575	VA 11-023	17,600
Crime Victim Compensation	16.576	VC 11-055	28,295
Total U.S. Department of Justice			<u>232,329</u>
U.S. Department of Labor			
Passed through Mohave County Board of Supervisors WIA Cluster:			
WIA – Adult Program	17.258	Various	63,783
WIA – Youth Activities	17.259	Various	63,949
WIA – Dislocated Workers	17.260	Various	44,195
Total WIA Cluster			<u>171,927</u>
Total U.S. Department of Labor			<u>171,927</u>
U.S. Department of Transportation			
Passed through Arizona Governor's Office of Highway Safety State and Community Highway Safety	20.600	2010-PT-078	31,998
State and Community Highway Safety	20.600	2011-PT-026	23,284
Total State and Community Highway Safety			<u>55,282</u>
Passed through Arizona Department of Emergency and Military Affairs Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	1,422
Passed through Arizona Department of Transportation Emergency Relief Program	20.Unknown	None	566,889
Total U.S. Department of Transportation			<u>623,593</u>
Environmental Protection Agency			
Passed through Arizona Department of Environmental Quality Water Quality Cooperative Agreements	66.463	EV-09-0180	4,535
Total Environmental Protection Agency			<u>4,535</u>
U.S. Department of Energy			

See accompanying notes to schedule.

La Paz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through Arizona Department of Housing			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	R016-10-32	188,246
Total U.S. Department of Energy			<u>188,246</u>
U.S. Department of Education			
Passed through the Governor's Office of Economic Recovery			
ARRA – State Fiscal Stabilization Fund Government Services	84.397	OER-11-IGA-GS-33	294,172
ARRA – State Fiscal Stabilization Fund Government Services	84.397	OER-11-IGA-GS-201	12,537
Total ARRA – State Fiscal Stabilization Fund Government Services			<u>306,709</u>
Passed through the Arizona Department of Education			
Adult Education – Basic Grants to States	84.002	V002A000003	82,964
Improving Teacher Quality State Grants	84.367	11FAAAZE-170677-01A	63,729
Total U.S. Department of Education			<u>453,402</u>
U.S. Election Assistance Commission			
Passed through Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	1,486
Total U.S. Election Assistance Commission			<u>1,486</u>
U.S. Department of Health and Human Services			
Passed through Arizona Department of Health Services			
Public Health Emergency Preparedness	93.069	HG754198	270,853
Family Planning-Services	93.217	HG854250	15,192
Immunization Cooperative Agreements	93.268	HG854287	50,275
Teenage Pregnancy Prevention Program	93.297	HG861255	50,170
Passed through Arizona Department of Economic Security			
Child Support Enforcement	93.563	DE111166001	226,896
Total U.S. Department of Health and Human Services			<u>613,386</u>
Executive Office of the President			
Passed through Pima County Sheriff's Office			
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-1010	71,604
Total Executive Office of the President			<u>71,604</u>
U.S. Department of Homeland Security			
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	777500-01	1,980
Homeland Security Grant Program	97.067	555509-01	61,906
Homeland Security Grant Program	97.067	10-AZDOHS-OPSG-	13,066
Total Homeland Security Grant Program			<u>76,952</u>
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	ADEMA-DR-1888-AZ	200,338
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	None	1,967
Passed through Arizona Department of Emergency and Military Affairs			
Emergency Management Performance Grants	97.042	None	76,431
Total U.S. Department of Homeland Security			<u>355,688</u>
Total Expenditures of Federal Awards			<u>\$ 4,599,208</u>

See accompanying notes to schedule.

La Paz County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of La Paz County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2011 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2011.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified	
		<u>YES</u>	<u>NO</u>
Material weaknesses identified in internal control over financial reporting?	___		<u>X</u>
Significant deficiency identified in internal control over financial reporting?	<u>X</u>		___
Noncompliance material to the financial statements noted?	___		<u>X</u>

Federal Awards

Material weaknesses identified in internal control over major programs?	___	<u>X</u>	___
Significant deficiency identified in internal control over major programs?	<u>X</u>		___

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	___	<u>X</u>	___
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
15.226	Payments in Lieu of Taxes
20.Unknown	Emergency Relief Program
84.397	ARRA – State Fiscal Stabilization Fund Government Services

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000	
Auditee qualified as low-risk auditee?	___		<u>X</u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>	___
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La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Financial Statement Findings

Item 11-01

Subject: Capital Asset Physical Inventories

Criteria/Specific Requirement: Per section VI-E of the UAMAC, after the inventory is completed, an employee not responsible for preparing or reviewing asset lists or count sheets should reconcile the physical inventory lists or count sheets to the capital assets list. Additions, deletions, or changes to the list resulting from the physical inventory should be fully documented. The physical inventory officer should retain all documents relating to the physical inventory to support the accuracy and propriety of the physical inventory.

Condition: The County provided physical inventory count sheets, however due to the condition of the inventory sheets, it could not be determined if the County's physical capital asset inventory results were reconciled to the capital asset listing.

Effect: The results of the County's inventory could not be verified and reconciled with the final capital asset listing for the fiscal year ended June 30, 2011.

Cause: The County failed to adequately summarize and finalize the results of their inventory in a concise matter that could be easily followed as stipulated within the UAMAC.

Recommendation: The County should insure that the results of their physical inventories are presented in a clear, concise manner and clearly identify how results of inventory will impact final asset figures.

County Response: County will allocate the resources and staff necessary to inventory, verify and reconcile the capital assets to the asset listing on the scheduled basis.

Item 11-02

Subject: Capital Asset Physical Inventories

Criteria: Per the Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-E, to satisfy the standard required for recipients of federal monies, a physical inventory of furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year should be conducted and reconciled to the capital asset list at least once every two years.

Condition: The County performs full physical inventory every three years.

Effect: The County is not in compliance with the federal requirement of performing an inventory every two years over assets acquired with federal funds.

Cause: The County has implemented controls having the inventory done every three years which is the guidelines with the UAMAC for assets acquired with non federal dollars and did not properly identify the federal requirement of performing it every two years.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Recommendation: Policies and procedures should be implemented that include assigning responsibility for performance of a physical inventory and reconciliation of capital assets to specific personnel (or positions) independent of custody and recordkeeping of the assets once every two years.

County Response: The County has adopted a policy requiring capital asset inventory every two years. The County Administration will allocate resources and staff to conduct, verify and reconcile the assets to the custodial record keeper bi-annually for county assets and annually for federally purchased assets.

Item 11-03

Subject: Compensated Absences

Criteria: Per the County's Employee Handbook, Section 3, compensated absences consists of vacation leave and a calculated amount of sick leave earned by employees based on years of service rendered. Employees may accumulate up to 160 hours of vacation depending on the years of service, but any vacation time above the calculated amount is forfeited. The employee annual leave is reduced at year end. Any sick time less than or equal to 384 hours is forfeited by the employee upon separation with the County. Sick time in excess of 384 hours is transferred to annual leave depending on the years of service with the County.

Condition: The County provided a detailed listing noting that 54 employees had vacation time greater than 160 hours. The total liability related to those hours above 160 hours was \$89,747. Also, the compensated absences calculation included sick leave without consideration of the forfeiture of a maximum of 384 hours upon separation of employment with the County.

Effect: The County is overstating the liability related to compensated absences based on the failure to adhere to their outlined leave policy.

Cause: The County is not following their outlined policies and procedures for reducing an employee's sick and vacation on a yearly basis when over a certain threshold. The County has informally not followed the policy as a courtesy to its employees. This departure from outlined policies and procedures has not been communicated officially by the County's regulatory body.

Recommendation: The County should address the departure from their outlined procedures by either eliminating the stipulations in the policy or should strictly enforce their policy. If the County chooses to enforce the policy, at year end any employee's time above the vacation time threshold should be reduced. Also, the sick leave liability should be calculated in accordance with their outlined policy.

County Response: The County will revise its personnel policy according to the actual practices it will enforce, including proper accrual of compensable absences.

Item 11-04

Subject: Procedures for Handling Checks

Criteria/Specific Requirement: Per the Uniform Accounting Manual for Arizona County Treasurers

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

(UAMACT) Section IV-C-2, any checks received should be restrictively endorsed "for deposit only" immediately upon receipt.

Condition: Observed and noted that checks received at the Treasurer's Office were not restrictively endorsed upon receipt. Checks are not endorsed until the time the deposit is prepared. The person preparing the deposit will ensure that all checks are properly endorsed prior to sending the deposit to the bank.

Effect: The County is in violation of the UAMACT provisions.

Cause: The County has failed to implement provisions as outlined per the UAMACT.

Recommendation: The County should implement procedures to ensure that all checks received are immediately endorsed upon receipt.

County Response: Treasurer shall restrictively endorse all checks when received.

Item 11-05

Subject: Segregation of Duties-Treasurer's Office

Criteria/Specific Requirement: The duties of cash handling and recordkeeping must be adequately segregated. Employees receiving cash should not have authority to sign checks, reconcile bank accounts, or have access to accounting records other than cash receipts.

Condition: Two employees responsible for reconciling the treasurer's bank accounts have the ability to process cash receipts and sign checks.

Effect: The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected during their normal course of responsibilities.

Cause: Policies and procedures have not been developed and implemented which segregate the following functions:

- 1.) Authorization of transactions.
- 2.) Recordkeeping.
- 3.) Custody of assets.

Recommendation: Policies and procedures should be developed and implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, either accidental or deliberate.

County Response: Treasurer's office will develop and implement a policy segregating responsibilities so that one individual is not handling transactions from beginning to end. Furthermore, a cross check system will be implemented to identify errors should they occur.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Item 11-06

Subject: Segregation of Duties-Finance and Payroll Office

Criteria/Specific Requirement: The handling and recording of any one transaction from beginning to end by any one individual should be prohibited.

Condition: During FY11, the following segregation issues were noted:

- Individuals in charge of maintaining personnel records also had the ability to change pay rate information. Further, individuals processing payroll each pay period had the ability to access HR records.
- Individuals responsible for preparation of warrants also were responsible for mailing out warrants.
- Individuals who recommend journal entries can also post journal entries without a secondary level of review.

Effect: The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected during their normal course of responsibilities.

Cause: Policies and procedures have not been developed and implemented which segregate the following functions:

- 1.) Authorization of transactions.
- 2.) Recordkeeping.
- 3.) Custody of assets.

Recommendation: Policies and procedures should be developed and implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, when possible, incompatible duties should be properly segregated.

County Response: Finance personnel have developed more strict segregation of duties. Individuals maintaining personnel records can not change pay rate information. Employees responsible for payroll processing can not access HR records. Additionally, warrants are mailed by an individual other than the preparer. Payroll checks are also mailed and compiled by an employee other than the processor. Journal entries are presented to a second level and posted after review.

Item 11-07

Subject: Daily Deposit Form Completion – Emerald Canyon Golf Course

Criteria/Specific Requirement: Per the County's "Cash Handling and Deposit Procedures for the Emerald Canyon Golf Course, the "daily deposit form" must contain the depositor's signature and a manager's initials.

Condition: During testing over cash receipts for the Emerald Canyon Golf Course, 4 of 12 daily deposit forms tested were missing the manager's initials.

Cause: The County is not consistently adhering to the policies and procedures for the daily deposit form.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Effect: By not requiring the review and approval of the daily deposit forms prior to deposit, the risk of missing errors or the manipulation of daily deposits increases.

Recommendation: Policies and procedures should be implemented and enforced to ensure that all daily deposit forms are reviewed and initialed by management.

County Response: Golf course deposits are made daily and reconciled monthly. The Golf Manager is initialing daily deposits.

Item 11-08

Subject: Presentation of the Schedule of Expenditures of Federal Awards (SEFA)

Criteria/Specific Requirement: OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* requires that the County identify in its accounts all federal awards expended. This Circular also requires award identification to include, as applicable, the CFDA title and number, the award number and years, the name of the federal granting agency and the name of the pass through entity.

Condition: The following issues were encountered with the SEFA

- The initial SEFA provided to the auditors failed to identify the following federal programs:

CFDA Number	Program Title	Amount
20.Unknown	Emergency Relief Program	\$ 566,889
97.036	Disaster Grants – Public Assistance	200,338
84.367	Improving Teacher Quality State Grants	63,729

Effect: The County’s initial SEFA was not prepared in accordance with OMB Circular A-133.

Cause: The County does not have a functioning grants management department in place.

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received and perform a thorough review of its general ledger to ensure that the schedule of expenditures of federal awards is accurately completed.

County Response: The Finance Director and Grants Administrator will coordinate the compilation of the SEFA.

Item 11-09

Subject: Improper Bank Reconciliation Procedures

Criteria/Specific Requirement: Per UAMAC Section IV-C-14, the County should prepare a list of outstanding checks, which are checks that have been issued and deducted from the check register

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

balance but have not been returned canceled by the bank. That list should be carried forward and updated during each month's reconciliation. If the reconciliation discloses checks that have been outstanding for a significant length of time, the County should contact the payee to determine whether the check was lost, destroyed, or sent to the wrong payee.

Conditions:

- The cash in bank accounts for Clerk of the Court, Parker Justice Court and Salome Justice Court had checks outstanding for more than a year, with the earliest dated check from 1999.
- The reconciliation for Salome Justice Court was performed incorrectly as a check issued in July 2011 was included in the June 30, 2011 bank reconciliation.

Effect: The County has not properly reconciled their accounts and failed to review checks outstanding for a long period of time.

Cause: The County has not adequately adhered to the rules and regulations as outlined by the UAMAC.

Recommendation: The County should ensure that the requirements of the UAMAC are being followed and ensure that checks outstanding for more than a year be researched on a routine basis to determine legitimacy.

County Response: Outstanding checks are analyzed during the monthly reconciliation process and addressed on a regular and consistent basis.

Item 11-10

Subject: Improper Bank Reconciliation Procedures – Cash with County Treasurer

Criteria/Specific Requirement: Per UAMACT Section IV-C-5, checks outstanding for longer than one year are void. A stop payment order should be issued and an entry made restoring such items to cash. A check or warrant that is not presented for payment within 1 year has no further force or effect, and any monies must be transferred or revert to the county General Fund or other appropriate fund on which the check or warrant was drawn.

Condition: At June 30, 2011, the County Treasurer had warrants that were outstanding for more than a year totaling \$51,159.

Effect: The County has maintained warrants on the listing that are no longer the responsibility of the County to honor.

Cause: The County has not adequately adhered to the rules and regulations regarding voiding warrants outstanding for more than a year.

Recommendation: The County should ensure that the requirements of the UAMACT are followed by periodically reviewing outstanding warrants and voiding any outstanding for more than one year.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

County Response: Outstanding warrants are analyzed during the monthly reconciliation process and addressed on a regular and consistent basis.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs

Item 11-11

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor's Office of Economic Recovery

Award Years: Various

Award Numbers: OER-11-IGA-GS-33, OER-11-IGA-GS-201

Questioned Costs: N/A

Criteria: The Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*, §320, requires that the single audit reporting package be submitted within nine months after the end of the audit period, unless a longer period is agreed upon by the oversight agency.

Condition: The County's fiscal year 2011 single audit reporting package was not submitted within nine months after the end of the audit period.

Effect: Due to the late submission of the County's single audit reporting package, the County has an instance of noncompliance with OMB Circular A-133 report submission requirements, which impacts all Federal programs administered by the County.

Cause: The County was unable to prepare the accounting records and financial statements in a timely manner.

Recommendation: The help ensure compliance with the OMB Circular A-133, the County should prepare accurate and complete financial statements in a timely manner to facilitate the submission of the single audit reporting package by the required deadline.

Item 11-12

CFDA Number: 84.397

Program: ARRA – State Fiscal Stabilization Fund Government Services

Agency: U.S. Department of Education

Pass-Through Entity: Governor's Office of Economic Recovery

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Award Year: July 1, 2010 – September 30, 2011, October 1, 2010 – September 30, 2011, February 1, 2011 – September 30, 2011

Award Numbers: OER-11-IGA-GS-33, OER-11-IGA-GS-201

Questioned Costs: N/A

Criteria: The Governor's Office of Economic Recovery stipulates that the grant progress report is to be submitted within 15 days of a quarter end.

Condition: For all four quarters tested, noted that the progress reports were submitted on a date outside of the timeliness requirements.

Effect: The County has not followed stipulated reporting requirements.

Cause: The County had inadequate staffing in place within their departments to ensure that reports were submitted within the required deadline.

Recommendation: The County should ensure that they are aware of all compliance requirements and ensure they are adequately followed.

Item 11-13

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor's Office of Economic Recovery

Award Years: Various

Award Numbers: None, None, OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: The County provided physical inventory count sheets, however due to the condition of the inventory sheets, it could not be determined if the County's physical capital asset inventory results were reconciled to the capital asset listing. See Section II – Financial Statement Findings, Item 11-01.

Questioned Costs: Not Applicable

Recommendation: The County should insure that the results of their physical inventories are presented in a clear, concise manner and clearly identify how the results of the inventory will impact final asset figures.

Item 11-14

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor's Office of Economic Recovery

Award Years: Various

Award Numbers: None, None, OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: Segregation of Duties – Treasurer's Office: two employees responsible for reconciling the treasurer's bank accounts have the ability to process cash receipts and sign checks. See Section II – Financial Statement Findings, Item 11-05.

Questioned Costs: Not Applicable

Recommendation: Policies and procedures should be developed and implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, either accidental or deliberate.

Item 11-15

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor's Office of Economic Recovery

Award Years: Various

Award Numbers: None, None, OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: Segregation of Duties – Finance and Payroll Office: during fiscal year 2011 the following deficiencies were noted:

- Individuals in charge of maintaining personnel records also had the ability to change pay rate information. Further, individuals processing payroll each pay period had the ability to access HR records.
- Individuals responsible for preparation of warrants also were responsible for mailing out warrants.

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- Individuals who recommend journal entries can also post journal entries without a secondary level of review.

See Section II – Financial Statement Findings, Item 11-06.

Questioned Costs: Not Applicable

Recommendation: Policies and procedures should be developed and implemented which remove the handling and recording of any one transaction from beginning to end from the control of any one employee. Further, making different employees responsible for different functions of a transaction actually serves as a cross-check which facilitates the detection of errors, either accidental or deliberate.

Item 11-16

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor’s Office of Economic Recovery

Award Years: Various

Award Numbers: None, None, OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: The initial Schedule of Expenditures of Federal Awards (SEFA) provided to the auditors failed to identify the following federal programs:

CFDA Number	Program Title	Amount
20.Unknown	Emergency Relief Program	\$ 566,889
97.036	Disaster Grants – Public Assistance	200,338
84.367	Improving Teacher Quality State Grants	63,729

See Section II – Financial Statement Findings, Item 11-08.

Questioned Costs: Not Applicable

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received and perform a thorough review of its general ledger to ensure that the schedule of expenditures of federal awards is accurately completed.

Item 11-17

CFDA Numbers: 15.226, 20.Unknown, 84.397

La Paz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Agencies: U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Education

Pass-Through Entities: None, Arizona Department of Transportation, Governor’s Office of Economic Recovery

Award Years: Various

Award Numbers: None, None, OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: At June 30, 2011, the County Treasurer had warrants that were outstanding for more than a year totaling \$51,159. See Section II – Financial Statement Findings, Item 11-10.

Questioned Costs: Not Applicable

Recommendation: The County should ensure that the requirements of the UAMACT are followed by periodically reviewing outstanding warrants and voiding any outstanding for more than one year.

Item 11-18

CFDA Number: 84.397

Program: ARRA – State Fiscal Stabilization Fund Government Services

Agency: U.S. Department of Education

Pass-Through Entity: Governor’s Office of Economic Recovery

Award Years: Various

Award Numbers: OER-11-IGA-GS-33, OER-11-IGA-GS-201

Condition: The County performs full physical inventory every three years. See Section II – Financial Statement Findings, Item 11-02.

Questioned Costs: Not Applicable

Prevalence: Not practical to determine this finding’s prevalence.

Recommendation: Policies and procedures should be implemented that include assigning responsibility for performance of a physical inventory and reconciliation of capital assets to specific personnel (or positions) independent of custody and recordkeeping of the assets once every two years.

County Responses

La Paz County
Corrective Action Plan
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs

Item 11-11

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

Anticipated Completion Date: June 30, 2013

Corrective Action:

1. Allocate the necessary resources (aka private contractors and qualified and trained employees) capable of accomplishing organizational directives.

Responsible party: Board of Supervisors, County Administrator

Timeline: June 2013

2. Develop, adopt and implement comprehensive financial policies including internal control and processing procedures. Train department supervisor and staff on procedures

Responsible party: Finance Director – Development and implementation of policy and processing procedures. Board of Supervisors – Adoption of policies supporting internal control.

Timeline: April 2013 Adoption
May 2013 Training

3. Schedule and maintain the progress timeline and track progress for the financial statement reporting and audit response requirements.

Responsible party: Finance Director

Timeline: June 2013

Item 11-12

CFDA Number: 84.397

Program: ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

La Paz County
Corrective Action Plan
Year Ended June 30, 2011

Anticipated Completion Date: May 2013

Corrective Action:

1. Develop and implement grant management and financial tracking that supports the achievement of these goals.

Responsible party: County Administrator – support for grant management integration.
Finance Director – Development and implementation of grant tracking process and procedures.

Timeline: May 2013

Item 11-13

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

Anticipated Completion Date: May 30, 2013

Corrective Action:

1. Clean up the count sheet organizationally and physically so they are well-presented and organized and clearly tie out to the asset listing by reference.

Responsible party: Amber Hill, Finance Director

Anticipated completion date: May 30, 2013

Item 11-14

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Leah Castro, Treasurer

Anticipated Completion Date: June 30, 2013

Corrective Action:

**La Paz County
Corrective Action Plan
Year Ended June 30, 2011**

1. Develop and implement a policy county-wide that addresses the different functions of a transaction and serves as a cross check for detecting errors in processing. Train Treasurer's department and other county staff in the proper handling and segregation of duties involving transactions. Develop and train Department supervisors and staff on segregation of duties functions.

Responsible party: Amber Hill, Finance Director

Anticipated completion date: May 30, 2013

2. Implement segregation of duties.

Responsible party: Leah Castro, Treasurer

Anticipated completion date: June 30, 2013

Item 11-15

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

Anticipated Completion Date: February 2013

Corrective Action:

1. Develop a policy wherein segregation of duties provide for separation of handling versus preparing and recording transactions, warrants, payroll processing and HR. Also develop and implement a cross check to facilitate the detection of errors if they should occur.
2. Develop and train Department supervisors and staff on segregation of duties functions. Cross train staff on error detection and functional activities.

Responsible party: Amber Hill, Finance Director

Anticipated completion date: February, 2013

Item 11-16

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal

**La Paz County
Corrective Action Plan
Year Ended June 30, 2011**

Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

Anticipated Completion Date: February 2013

Corrective Action:

1. Develop a Grants Administrator position that accomplishes the proper tracking, recording and reporting necessary to comply with Federal, State and Local programs.

Responsible party: Amber Hill, Finance Director in conjunction with Dan Field, County Administrator

Anticipated completion date: February, 2013

Item 11-17

CFDA Numbers: 15.226, 20.Unknown, 84.397

Programs: Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

Anticipated Completion Date: February 2013

Corrective Action:

1. Implement a cross check of outstanding warrants at the point of reconciliation that will identify aging warrants and follow up with vendors addressing the outstanding items long before a year's time.
2. Develop policy wherein finance staff identifies and addresses outstanding warrants on a monthly basis.

Responsible party: Amber Hill, Finance Director

Anticipated completion date: February, 2013

Item 11-18

CFDA Number: 84.397

Program: ARRA – State Fiscal Stabilization Fund Government Services

Contact Person: Amber Hill, Finance Director

**La Paz County
Corrective Action Plan
Year Ended June 30, 2011**

Anticipated Completion Date: June 30, 2013

Corrective Action: The County has adopted a policy requiring capital asset inventory every two years. The County Administration will allocate resources and staff to conduct, verify and reconcile the assets to the custodial record keeper bi-annually for county assets and annually for federally purchased assets.

La Paz County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Status of Prior Year Federal Award Findings and Questioned Costs

Finding Numbers: 2010-2, 09-02, 08-2, 07-1, 06-1, 05-2, 04-2

CFDA Numbers: 14.228, 15.226, 16.804, 93.563, 93.996, 97.004, 97.042, 97.053, 97.067

Programs: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Payments in Lieu of Taxes, ARRA - Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government, Child Support Enforcement, Bioterrorism Training and Curriculum Development Program, Homeland Security Grant Program Cluster, Emergency Management Performance Grants, Citizens-Community Resilience Innovation Challenge, Homeland Security Grant Program

Status: Not Corrected

Corrective Action:

1. Allocate the necessary resources (aka private contractors and qualified and trained employees) capable of accomplishing organizational directives.

Responsible party: Board of Supervisors, County Administrator

Timeline: June 2013

2. Develop, adopt and implement comprehensive financial policies including internal control and processing procedures. Train department supervisor and staff on procedures

Responsible party: Finance Director – Development and implementation of policy and processing procedures. Board of Supervisors – Adoption of policies supporting internal control.

Timeline: April 2013 Adoption
May 2013 Training

3. Schedule and maintain the progress timeline and track progress for the financial statement reporting and audit response requirements.

Responsible party: Finance Director

Timeline: June 2013

La Paz County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Finding Number: 2010-3

CFDA Numbers: 16.804, 93.563

Programs: ARRA - Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG)
Program/Grants To Units of Local Government, Child Support Enforcement

Status: Not Corrected

Corrective Action:

1. Develop and/or acquire the appropriate forms and formatting for employees working federal programs to record their time specific to that funding. Train employees and their supervisors on completing and submitting the time sheets. Develop and implement a calendar and process for ensuring certification