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# La Paz County, Arizona

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*Single Audit Reporting Package*  
*June 30, 2012*

**REDW**<sup>LLC</sup>  
CPAs | Business & Financial Advisors

# La Paz County, 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 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, Arizona (the "County") as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying Schedule of Findings and Questioned Costs we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 12-1 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 12-2 through FS 12-6 to be significant deficiencies.

### **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*.

The County's responses to the findings identified in our audit are presented on pages 11 through 22. 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  
September 10, 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, Arizona's (the "County") 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, 2012. 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, the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and that is described in the accompanying schedule of findings and questioned costs as item FA 12-1.

## **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 FA 12-2 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 FA 12-3 and FA 12-4 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 the County as of and for the year ended June 30, 2012, and have issued our report thereon dated September 10, 2013, that contained an unqualified opinion on those financial statements. Our audit was conducted 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 is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The County's responses to the findings identified in our audit are presented on pages 11 through 22. 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  
September 10, 2013

## Schedule of Expenditures of Federal Awards

**La Paz County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Arizona Department of Housing Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	149-10	\$ 180,349
Total U.S. Department of Housing and Urban Development			<u>180,349</u>
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		1,842,363
Total U.S. Department of the Interior			<u>1,842,363</u>
<b>U.S. Department of Justice</b>			
Passed through Arizona Criminal Justice Commission Crime Victim Assistance	16.575	VA 11-023	17,600
ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 10-037	28,432
ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 10-032	77,435
Total ARRA – Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government			<u>105,867</u>
Total U.S. Department of Justice			<u>123,467</u>
<b>U.S. Department of Labor</b>			
Passed through Mohave County Board of Supervisors WIA – Adult Program (WIA Cluster)	17.258	Various	67,947
WIA – Youth Activities (WIA Cluster)	17.259	Various	55,400
WIA – Dislocated Workers (WIA Cluster)	17.260	Various	23,578
Total WIA Cluster			<u>146,925</u>
Total U.S. Department of Labor			<u>146,925</u>
<b>U.S. Department of Transportation</b>			
Passed through Arizona Governor's Office of Highway Safety State and Community Highway Safety	20.600	Various	16,437
Total U.S. Department of Labor			<u>16,437</u>
<b>Environmental Protection Agency</b>			
Passed through Arizona Department of Environmental Quality Water Quality Cooperative Agreements	66.463	EV-09-0180	3,890
Total Environmental Protection Agency			<u>3,890</u>
<b>U.S. Department of Education</b>			
Passed through the Governor's Office of Economic Recovery ARRA – State Fiscal Stabilization Fund Government Services	84.397	OER-11-IGA-GS-33	152,397
ARRA – State Fiscal Stabilization Fund Government Services	84.397	OER-11-IGA-GS-201	22,121
Total ARRA – State Fiscal Stabilization Fund Government Services			<u>174,518</u>
Passed through the Arizona Department of Education Adult Education – Basic Grants to States	84.002	V002A000003	93,984
Improving Teacher Quality State Grants	84.367	11FAAAZE-170677-01A	59,236
Total U.S. Department of Education			<u>327,738</u>

(continued)

**La Paz County, Arizona**  
**Schedule of Expenditures of Federal Awards — continued**  
**For the Year Ended June 30, 2012**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
<b>U.S. Election Assistance Commission</b>			
Passed through Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	\$ 2,467
Total U.S. Election Assistance Commission			<u>2,467</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Arizona Department of Health Services			
Public Health Emergency Preparedness	93.069	HG754198	224,099
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	854554	10,100
Family Planning-Services	93.217	HG854250	14,176
Immunization Cooperative Agreements	93.268	HG854287	45,000
Teenage Pregnancy Prevention Program	93.297	HG861255	72,351
Passed through Arizona Department of Economic Security			
Child Support Enforcement	93.563	DE111166001	211,844
Total U.S. Department of Health and Human Services			<u>577,570</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	10-AZDOHS-OPSG-777423-01	56,527
Total Homeland Security Grant Program			56,527
Passed through Arizona Department of Emergency and Military Affairs			
Emergency Management Performance Grants	97.042	None	17,752
Total U.S. Department of Homeland Security			<u>74,279</u>
Total expenditures of federal awards			<u>\$ 3,295,485</u>

**La Paz County, Arizona**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

**1) Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of La Paz County, Arizona (the “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 the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**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 2012 *Catalog of Federal Domestic Assistance*.

**3) Subrecipients**

The County did not provide any federal awards to subrecipients during the year ended June 30, 2012.

## Schedule of Findings and Questioned Costs

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

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

***Financial Statements***

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section I — Summary of Auditors' Results — continued

Auditee qualified as low-risk auditee? No

*Other Matters*

Auditee's summary schedule of prior audit findings  
required to be reported in accordance with  
Circular A-133 section 315(b)? Yes

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

**Section II — Financial Statement Findings**

**FS 12-1 — Lack of Adequate Asset Safeguards (Material Weakness)**

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*Criteria or Specific Requirement:* County assets must be appropriately safeguarded from theft and other misappropriation. Additionally, the Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the Auditor General's office requires Counties to develop and adhere to written policies and procedures to safeguard assets.

*Condition:* Adequate safeguards were not in place to protect assets in the following areas:

- ◆ Unrecorded Bank Accounts: We identified a bank account which was not included in the County's trial balance.
- ◆ Safe Security: The safe used to secure warrant stock in the finance department was left open after processing payments. Additionally, the safe at Emerald Canyon Golf Course was left unlocked.
- ◆ Lack of Credit Card Policy: There is no policy or control in place to monitor credit card usage.
- ◆ Health Department Cash Management: Daily cash bag drawer was left unlocked and the safe containing cash is accessible by all employees at the Health Department. Additionally, deposits with the Treasurer's office are not made on frequent and/or regular basis.
- ◆ Cash Receipts Security: Checks deposited with Treasurer's office are not being stored in a secure location and are not immediately endorsed.

*Cause and Effect:*

- ◆ Unrecorded Bank Accounts: The County's finance department is not receiving all bank statements directly from the bank and not all bank accounts are recorded in the general ledger. As a result, material cash balances could be excluded from the financial statements.
- ◆ Safe Security: The County is not securing safes containing cash and warrants after every use and is not monitoring the safe during periods of vulnerability. This can lead to misappropriation of County assets.
- ◆ Lack of a Credit Card Policy: The County does not have a formalized policy governing credit card use. With no policy in place, misappropriation of funds or abuse of funds through credit cards is more likely.
- ◆ Health Department Cash Management: The Health Department daily cash bag drawer is not securely locked during time that it is not in use. Further, deposits are not made timely. We noted elapsed time between deposits exceeding one month. With the cash drawer being left unlocked the risk related to theft is greatly increased. Depositing cash receipts timely is imperative to the reconciliation of accounts and mitigating the inherent risk associated with cash receipts.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

FS 12-1 — Lack of Adequate Asset Safeguards (Material Weakness) — continued

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*Cause and Effect — continued:*

- ◆ Cash Receipts Security: The County does not keep cash receipts in a secure location until they are deposited with the bank. Further, the County is not endorsing the checks as checks are received (Repeat Finding). As such, cash receipts are at higher risk for misappropriation as the funds are not secured prior to deposit.

*Auditors' Recommendations:* The County Finance department should change the mailing address for all bank accounts to ensure statements are received at the Finance office. Additionally, the Finance department should ensure all bank accounts are properly recorded in the general ledger. The number of employees with access to safes and cash drawers should be limited to those whose function it is to receive and process cash. Safes and cash drawers should be locked whenever the safe or drawer is not in use. During periods that the safe is being accessed, it should be physically monitored at all times. A formal credit card policy should be developed and communicated to all employees. Cash receipts should be deposited daily. Finally, checks should be endorsed immediately upon receipt to decrease risks of misappropriation.

*Management's Response:*

- ◆ Unrecorded Bank Accounts: The Jail District Bank of America bank account was not recorded in the trial balance. This account was used for inmate funds and commissary prior to 2011. This account has not been used in years, is in the process of being audited for discrepancies and Finance recommends closure of the account. Additionally, Finance recommends receiving all bank statements county-wide to ensure financial compliance and provide a balance to internal controls of the asset custody.
- ◆ Safe Security: Both Finance and Golf Departments have changed their procedures so the safes are locked and accessible only when needed for cash drawers and warrant stock.
- ◆ Lack of Credit Card Policy: A formal credit card/purchasing card policy was adopted July 2013 and a current inventory of charge accounts was taken at that time.
- ◆ Health Department Cash Management: Health Department cash handling has been modified so the daily cash bag is now secured in the safe at the end of the day. The safe is locked unless the cash drawers are being deposited or withdrawn, and the deposits from the Health Department are being made on a weekly basis with the Treasurer's office.
- ◆ Cash Receipts Security: The Treasurer's office has modified procedures so checks are immediately endorsed and secured in the vault and deposited daily.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

**FS 12-2 — Compensated Absences (Significant Deficiency; Repeat Finding)**

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*Criteria or Specific Requirement:* Per the County's Employee Handbook, Section 3.4, compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on years of services rendered. Employees may accumulate up to 160 hours of vacation depending on the years of services, 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 has a significant liability related to vacation hours exceeding the 160 hour limit included in the policy. Also, the compensated absences calculation included sick leave without consideration of the forfeiture of individual balances of less than or equal to 384 hours upon separation of employment with the County.

*Cause and Effect:* The County is overstating the liability related to compensated absences based on the failure to adhere to the leave policy. The County is not following its policies and procedures for reducing an employee's sick and vacation on a yearly basis. 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.

*Auditors' Recommendations:* The County should address the departure from its outlined procedures by either eliminating the stipulations from the policy or should strictly enforce its 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 policy.

*Management's Response:* The County Supervisors and Administration have elected to strictly enforce its policy. As a result, sick and annual leave liability will be calculated in accordance with policy structure.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

**FS 12-3 — Segregation of Duties (Significant Deficiency; Repeat Finding)**

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*Criteria or Specific Requirement:* To maintain an appropriate and adequate internal control environment, proper segregation of duties is a necessity. In accordance with the Uniform Accounting Manual for Arizona Counties (UAMAC), there should be segregation of duties to prevent any one employee from having control over an entire transaction cycle.

*Condition:* The County failed to maintain proper segregation of duties in the following areas:

- ◆ The Finance Director has access to all aspects of the disbursement process from voucher preparation to warrant signing.
- ◆ The individuals in charge of payroll and human resources have complete access to make changes to the Vision Payroll System including compensation adjustments, creating new employees, and processing payroll.
- ◆ The Health and Treasurer's Departments have one employee that collects, reconciles and makes deposits. Further, one employee also handles all wire transfers without any additional review.

*Cause and Effect:* The County does not have appropriate policies and procedures to segregate incompatible duties. Lack of segregation of duties can result in misstatement of the financial statements due to fraud or error.

*Auditors' Recommendations:* Develop policies and procedures which segregate duties between employees to ensure that one employee does not have unrestricted access to the complete transaction cycle.

*Management's Response:* The County will maintain proper segregation of duties in the following areas:

- ◆ The Finance Director has ability to grant access to all aspects of the disbursement process from voucher preparation to check signing; however, the only part of the process the Director is involved in, on a non-emergency basis, is purchase order approval, and granting the password to print warrants. The Finance Director does not initiate transactions as these functions are delegated to those that do not have the ability to post transactions. Furthermore, the Finance Director has no authority to sign warrants. However, the County will evaluate the Finance Director's ability to assign and change access rights to determine if further restrictions are necessary to align such rights with the appropriate job functions.
- ◆ The Health and Treasurer's Departments will segregate duties so the employee that collects funds and makes deposits is not the same as the one that reconciles. Additionally, the Treasurer department will add an approval process to handling all wire transfers for authorization.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

**FS 12-4 — Budgetary Control (Significant Deficiency)**

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*Criteria or Specific Requirement:* Arizona Revised Statutes (A.R.S.) §42-17101-42-17107 require the County to prepare and adopt a balanced budget for each governmental fund on an annual basis. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

*Condition:* There were several instances where budgetary line items were over-expended in fiscal year 2012.

*Cause and Effect:* An effective budget monitoring process was not in place at the County for the current fiscal year. As such, the County over-expended funds contrary to Arizona Revised Statutes.

*Auditors' Recommendations:* Implement internal controls to review and compare budget to actual expenditures and to make appropriate budget modifications. This process should occur on a regular and ongoing basis to ensure compliance with legal requirements.

*Management's Response:* A monthly process of printing, reviewing and comparing budget to actual records has now been implemented. Variances are communicated to the responsible authority and followed up for journal entries, budget modifications and Board approval.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

**FS 12-5 — Improper Bank Reconciliation Procedures: Cash Held by Treasurer  
(Significant Deficiency; Repeat Finding)**

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*Criteria or Specific Requirement:* Per the Uniform Accounting Manual for Arizona Counties (UAMAC), section IV-C-5, checks outstanding for longer than one year are void. A stop payment order should be issued and an entry should be 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:* As of June 30, 2012, the County Treasurer had warrants outstanding for longer than a year totaling \$2,605.

*Cause and Effect:* The County does not have appropriate procedures in place for voiding checks or warrants outstanding for longer than one year, as stated in the UAMAC.

*Auditors' Recommendations:* The County should ensure that the requirements of the UAMAC are followed by periodically reviewing outstanding warrants and voiding any checks or warrants outstanding for more than one year.

*Management's Response:* The County will ensure that the requirements of the UAMAC are followed by monthly reviewing outstanding warrants and voiding any checks or warrants outstanding for more than one year, processing them according to A.R.S.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section II — Financial Statement Findings — continued

**FS 12-6 — Reporting (Significant Deficiency; Repeat Finding)**

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*Criteria:* The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §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 2012 single audit reporting package was not submitted within nine months after the end of the audit period.

*Questioned Costs:* N/A

*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.

*Auditors' Recommendations:* To 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.

*Management's Response:* The Board of Supervisors and La Paz County Administration have prioritized this matter and have allocated sufficient staff and resources to allow for a timely and efficient audit. Finance staff reconciles general ledger accounts according to budget, revenue projections and Treasurer ledger monthly.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

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

**FA 12-1 — Reporting (Repeat Finding)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Payments in Lieu of Taxes
CFDA number:	15.226
Award period and number:	July 1, 2011 through June 30, 2012

*Criteria:* The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §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 2012 single audit reporting package was not submitted within nine months after the end of the audit period.

*Questioned Costs:* N/A

*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.

*Auditors' Recommendations:* To 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.

*Management's Response:* The Board of Supervisors and La Paz County Administration have prioritized this matter and have allocated sufficient staff and resources to allow for a timely and efficient audit. Finance staff reconciles general ledger accounts according to budget, revenue projections and Treasurer ledger monthly.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section III — Federal Award Findings and Questioned Costs — continued

**FA 12-2 — Lack of Adequate Asset Safeguards (Material Weakness)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Payments in Lieu of Taxes
CFDA number:	15.226
Award period and number:	July 1, 2011 through June 30, 2012

*Condition:* Adequate safeguards were not in place to protect assets in the following areas:

- ◆ Unrecorded Bank Accounts: We identified a bank account which was not included in the County's trial balance.
- ◆ Safe Security: The safe used to secure the warrant stock in the finance department was left open after processing payments. Additionally, the safe at Emerald Canyon Golf Course was left unlocked.
- ◆ Lack of Credit Card Policy: There is no policy or control in place to monitor credit card usage.
- ◆ Health Department Cash Management: Daily cash bag drawer was left unlocked and the safe containing cash is accessible by all employees at the Health Department. Additionally, deposits with the Treasurer's office are not made on frequent and/or regular basis.
- ◆ Cash Receipts Security: Checks deposited with Treasurer's office are not being stored in a secure location and are not immediately endorsed.

See Section II – Financial Statement Findings, **FS 12-1**

*Questioned Costs:* N/A

*Auditors' Recommendations:* The County Finance department should change the mailing address for all bank accounts to ensure statements are received at the Finance office. Additionally, the Finance department should ensure all bank accounts are properly recorded in the general ledger. The number of employees with access to safes and cash drawers should be limited to those whose function it is to receive and process cash. Safes and cash drawers should be locked whenever the safe or drawer is not in use. During periods that the safe is being accessed, it should be physically monitored at all times. A formal credit card policy should be developed and communicated to all employees. Cash receipts should be deposited daily. Finally, checks should be endorsed immediately upon receipt to decrease risks of misappropriation.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section III — Federal Award Findings and Questioned Costs — continued

FA 12-2 — Lack of Adequate Asset Safeguards (Material Weakness) — continued

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*Management's Response:*

- ◆ Unrecorded Bank Accounts: The Jail District Bank of America bank account was not recorded in the trial balance. This account was used for inmate funds and commissary prior to 2011. This account has not been used in years, is in the process of being audited for discrepancies and Finance recommends closure of the account. Additionally, Finance recommends receiving all bank statements county-wide to ensure financial compliance and provide a balance to internal controls of the asset custody.
- ◆ Safe Security: Both Finance and Golf Departments have changed their procedures so the safes are locked and accessible only when needed for cash drawers and warrant stock.
- ◆ Lack of Credit Card Policy: A formal credit card/purchasing card policy was adopted July 2013 and a current inventory of charge accounts was taken at that time.
- ◆ Health Department Cash Management: Health Department cash handling has been modified so the daily cash bag is now secured in the safe at the end of the day. The safe is locked unless the cash drawers are being deposited or withdrawn, and the deposits from Health Department are being made on a weekly basis with the Treasurer's office.
- ◆ Cash Receipts Security: The Treasurer's office has modified procedures so checks are immediately endorsed and secured in the vault and deposited daily.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section III — Federal Award Findings and Questioned Costs — continued

**FA 12-3 — Compensated Absences (Significant Deficiency, Repeat Finding)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Payments in Lieu of Taxes
CFDA number:	15.226
Award period and number:	July 1, 2011 through June 30, 2012

*Condition:* The County has a significant liability related to vacation hours exceeding the 160 hour limit included in the policy. Also, the compensated absences calculation included sick leave without consideration of the forfeiture of individual balances of less than or equal to 384 hours upon separation of employment with the County (See Section II – Financial Statement Findings, **FS 12-2**).

*Questioned Costs:* N/A

*Auditors' Recommendations:* The County should address the departure from its outlined procedures by either eliminating the stipulations from the policy or should strictly enforce its 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 policy.

*Management's Response:* The County Supervisors and Administration have elected to strictly enforce its policy. As a result, sick and annual leave liability will be calculated in accordance with policy structure.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section III — Federal Award Findings and Questioned Costs — continued

**FA 12-4 — Segregation of Duties (Significant Deficiency, Repeat Finding)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Payments in Lieu of Taxes
CFDA number:	15.226
Award period and number:	July 1, 2011 through June 30, 2012

*Condition:* The County failed to maintain proper segregation of duties in the following areas:

- ◆ The Finance Director has access to all aspects of the disbursement process from voucher preparation to warrant signing.
- ◆ The individuals in charge of payroll and human resources have complete access to make changes to the Vision Payroll System including compensation adjustments, creating new employees, and processing payroll.
- ◆ The Health and Treasurer’s Departments have one employee that collects, reconciles and makes deposits. Further, one employee also handles all wire transfers without any additional review.

See Section II – Financial Statement Findings, **FS 12-3**.

*Questioned Costs:* N/A

*Auditors’ Recommendations:* Develop policies and procedures which segregate duties between employees to ensure that one employee does not have unrestricted access to the complete transaction cycle.

**La Paz County, Arizona**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended June 30, 2012**

Section III — Federal Award Findings and Questioned Costs — continued

FA 12-4 — Segregation of Duties (Significant Deficiency, Repeat Finding) — continued

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*Management's Response:* The County will maintain proper segregation of duties in the following areas:

- ◆ The Finance Director has ability to grant access to all aspects of the disbursement process from voucher preparation to warrant signing; however, the only part of the process the Director is involved in, on a non-emergency basis, is purchase order approval, and granting the password to print warrants. The Finance Director does not initiate transactions as these functions are delegated to those that do not have the ability to post transactions. Furthermore, the Finance Director has no authority to sign warrants. However, the County will evaluate the Finance Director's ability to assign and change access rights to determine if further restrictions are necessary to align such rights with the appropriate job functions.
- ◆ The Health and Treasurer's Departments will segregate duties so the employee that collects funds and makes deposits is not the same as the one that reconciles. Additionally, the Treasurer department will add an approval process to handling all wire transfers for authorization.

**La Paz County, Arizona**  
**Corrective Action Plan**  
**For the Year Ended June 30, 2012**

Audit Finding	Corrective Action Plan	Persons Responsible	Estimated Completion Date
<b>FA 12-1</b>	See management's response at the finding	Finance Director	March 2014
<b>FA 12-2</b>	See management's response at the finding	Finance Director	July 2013
<b>FA 12-3</b>	See management's response at the finding	Finance Director	June 2013
<b>FA 12-4</b>	See management's response at the finding	Finance Director	February 2013

**La Paz County, Arizona**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2012**

<b>Prior Audit Findings</b>	<b>Current Status</b>
<b>Financial Statement Findings</b>	
<b>11-01</b> — Capital Assets Physical Inventories	Resolved
<b>11-02</b> — Capital Asset Physical Inventories	Resolved
<b>11-03</b> — Compensated Absences, see current year finding <b>FS 12-2</b>	Unresolved
<b>11-04</b> — Procedures for Handling Checks, see current year finding <b>FS 12-1</b>	Unresolved
<b>11-05</b> — Segregation of Duties–Treasurer’s Office, see current year finding <b>FS 12-3</b>	Unresolved
<b>11-06</b> — Segregation of Duties–Finance and Payroll Office, see current year finding <b>FS 12-3</b>	Unresolved
<b>11-07</b> — Daily Deposit Form Completion – Emerald Canyon Golf Course	Resolved
<b>11-08</b> — Presentation of the Schedule of Expenditures of Federal Awards (SEFA)	Resolved
<b>11-09</b> — Improper Bank Reconciliation Procedures	Resolved
<b>11-10</b> — Improper Bank Reconciliation Procedures – Cash with County Treasurer, see current year finding <b>FS 12-5</b>	Unresolved

**La Paz County, Arizona**  
**Summary Schedule of Prior Audit Findings — continued**  
**For the Year Ended June 30, 2012**

<b>Prior Audit Findings</b>	<b>Current Status</b>
<b>Federal Award Findings and Questioned Costs</b>	
<p><b>11-11</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>The County’s fiscal year 2011 single audit reporting package was not submitted within nine months after the end of the audit period.</p> <p>See current year finding <b>FA 12-1</b>.</p>	Unresolved
<p><b>11-12</b> — ARRA – State Fiscal Stabilization Fund Government Services</p> <p>For all four quarters tested, noted that the progress reports were submitted on a date outside of the timeliness requirements.</p>	Resolved
<p><b>11-13</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>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.</p>	Resolved
<p><b>11-14</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>Treasurer’s Office: Two employees responsible for reconciling the treasurer’s bank accounts have the ability to process cash receipts and sign checks.</p> <p>See current year finding <b>FA 12-4</b>.</p>	Unresolved
<p><b>11-15</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>Segregation of Duties – Finance and Payroll Office</p> <p>See current year finding <b>FA 12-4</b>.</p>	Unresolved

**La Paz County, Arizona**  
**Summary Schedule of Prior Audit Findings — continued**  
**For the Year Ended June 30, 2012**

<b>Prior Audit Findings</b>	<b>Current Status</b>
<b>Federal Award Findings and Questioned Costs</b>	
<p><b>11-16</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>The initial Schedule of Expenditures of Federal Awards (SEFA) provided to the auditors failed to identify various federal programs.</p>	Resolved
<p><b>11-17</b> — Payments in Lieu of Taxes, Emergency Relief Program, ARRA – State Fiscal Stabilization Fund Government Services</p> <p>At June 30, 2011, the County Treasurer had warrants that were outstanding for more than a year totaling \$51,159.</p> <p>See current year finding <b>FS 12-5</b>.</p>	Unresolved
<p><b>11-18</b> — ARRA – State Fiscal Stabilization Fund Government Services</p> <p>The County performs full physical inventory every two years.</p>	Resolved
<p><b>2010-2,09-02, 08-2, 07-1, 06-1, 05-2, 04-2</b> — 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</p> <p>The County’s single audit reporting package was not submitted within nine months after the end of the audit period.</p> <p>See current year finding <b>FA 12-1</b>.</p>	Unresolved

**La Paz County, Arizona**  
**Summary Schedule of Prior Audit Findings — continued**  
**For the Year Ended June 30, 2012**

<b>Prior Audit Findings</b>	<b>Current Status</b>
<b>Federal Award Findings and Questioned Costs</b>	
<b>2010-3</b> — ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, Child Support Enforcement  The County did not require employees to provide periodic certifications or monthly personnel activity reports for time spent on the federal program.	Resolved