

**LA PAZ COUNTY, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2004**

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SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2004**

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Basic Financial Statements

Issued separately

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**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
La Paz County, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona as of and for the year ended June 30, 2004, which collectively comprise La Paz County, Arizona's basic financial statements and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered La Paz County, Arizona's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect La Paz County, Arizona's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Paz County, Arizona'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*. However, we noted certain matters that we reported to management of La Paz County, Arizona in a separate letter dated February 19, 2009.

This report is intended solely for the information and use of the Board of Supervisors, management, 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

September 15, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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
La Paz County, Arizona

Compliance

We have audited the compliance of La Paz County, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. La Paz County, Arizona's major federal programs are identified in the summary of auditors' 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 La Paz County, Arizona's management. Our responsibility is to express an opinion on La Paz County, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 La Paz County, Arizona'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 La Paz County, Arizona's compliance with those requirements.

In our opinion, La Paz County, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-2, 04-3, and 04-4.

Internal Control Over Compliance

The management of La Paz County, Arizona 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 La Paz County, Arizona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect La Paz County, Arizona's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-2, 04-3, and 04-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above as 04-2 is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise La Paz County, Arizona'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.

This report is intended solely for the information and use of the Board of Supervisors, management, 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

February 19, 2009, except for the
Schedule of Expenditures of Federal Awards,
for which the date is September 15, 2008

LA PAZ COUNTY, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Arizona Department of Housing:			
Community Development Block Grants/State's Program	14.228	010-02H, 164-02	\$ <u>152,167</u>
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226		<u>1,037,241</u>
<u>U.S. Department of Justice</u>			
Passed through the Arizona Criminal Justice Commission:			
Byrne Formula Grant Program	16.579	PC-160-03 AC-120-03	<u>194,029</u>
<u>U.S. Department of Labor</u>			
Passed through the Mohave County Board of Supervisors:			
WIA Cluster:			
WIA Adult Program	17.258	E5701014, E572008	35,138
WIA Youth Activities	17.259	E5701014, E572008	19,811
WIA Dislocated Workers	17.260	E5701014, E572008	<u>14,735</u>
Total U.S. Department of Labor			<u>69,684</u>
<u>U.S. Department of Education</u>			
Passed through the Arizona Department of Education:			
Adult Education- State Grant Program	84.002	V002A010003	<u>15,639</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services:			
Immunization Grants	93.268	152050	44,904
Maternal and Child Health Services Block Grant to the States	93.994	761110	15,566
Bioterrorism Training and Curriculum Development Program	93.996	KR02-1179ALS	218,105
Passed through the Arizona Department of Economic Security:			
Child Support Enforcement	93.563	E7201012	<u>202,028</u>
Total U.S. Department of Health and Human Services			<u>480,603</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Arizona Department of Emergency and Military Affairs:			
Homeland Security Grant Program Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0196	113,056
Emergency Management Performance Grants	97.042	None	3,483
Citizen Corps	97.053	None	<u>9,572</u>
Subtotal Homeland Security Grant Program Cluster			<u>126,111</u>
Hazardous Materials Training Program	97.020	None	3,236
Cooperating Technical Partners	97.045	GR0229/A001	122,017
State and Local All Hazards Emergency Operations Planning	97.051	None	3,416
Community Emergency Response Teams	97.054	None	10,661
State and Local Domestic Preparedness Equipment Program	97.005	None	<u>43,854</u>
Total U.S. Department of Homeland Security			<u>309,295</u>
Total Expenditures of Federal Awards			<u>\$ <u>2,258,658</u></u>

LA PAZ COUNTY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards includes the federal grant activity of La Paz County, Arizona 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*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2004 *Catalog of Federal Domestic Assistance*.

NOTE 3 - SUBRECIPIENTS

The County did not award federal monies to subrecipients for the fiscal year ended June 30, 2004.

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Reportable condition(s) identified that are not
 considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? X yes no
 Reportable condition(s) identified that are not
 considered to be a material weakness(es)? X yes none reported

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 OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
97.004, 97.042, 97.053	Homeland Security Grant Program Cluster

Dollar threshold used to distinguish between Type A and Type
 B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required
 to be reported in accordance with Circular A-133
 (Section.315[b])? X yes no

LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

04-1 CRITERIA

Financial accounting duties should be distributed among appropriate employees to ensure the proper safeguarding of assets.

CONDITION/CONTEXT

The Office of the Auditor General conducted a special investigation of allegations of financial misconduct in the La Paz County Parks Department. The report issued in June 2006 reported occurrences of theft and misuse of public monies from May 2002 through December 2004.

EFFECT

The investigation revealed that a former employee embezzled at least \$84,193 and misused \$364,387 of public money, a portion of which was attributable to the fiscal year 2004. The complete investigative report is available on the State of Arizona Office of the Auditor General's website at www.azauditor.gov.

CAUSE

The County's lack of internal controls, including segregation of duties in the Parks Department.

RECOMMENDATION

To help ensure proper control over and use of public monies, La Paz County management should establish effective internal controls over cash receipt activities, including policies, procedures, and monitoring activities.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

After the discovery of theft at the Parks in December 2004, Parks management was found to have not been following proper procedure. Cash-handling procedures were reviewed with the appropriate Parks staff. In March of 2006, Parks staff was again found noncompliant with established procedures. Procedures were reviewed again and acknowledgements were signed by the appropriate staff. Additionally, the Finance Department then started monitoring deposit compliance daily and general compliance annually.

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF THE INTERIOR, U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number:	04-2	Questioned Cost:	None
Program Name:	Payments in Lieu of Taxes, Homeland Security Grant Program Cluster	CFDA Numbers:	15.226, 97.004, 97.042, 97.053
Pass-Through Agency:	Arizona Department of Emergency and Military Affairs	Pass-Through Grantor's Number:	2003-TE-TX-0196

CRITERIA

The Office of Management and Budget (OMB) Circular A-133, *Audit 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 to by the oversight agency.

CONDITION/CONTEXT

The County's fiscal year 2003-04 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 a material internal control weakness and material 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

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The County has taken action to ensure compliance with the OMB Circular A-133 for upcoming audit submissions by procuring accounting services from a private firm and by seeking additional qualified staff.

Contact Person: Ava Alcaida, Finance Director

Anticipated Completion Date: June 30, 2010

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number:	04-3	Questioned Cost:	None
Program Name:	Homeland Security Grant Program Cluster	CFDA Numbers:	97.004, 97.042, 97.053
Pass-Through Agency:	Arizona Department of Emergency and Military Affairs	Pass-Through Grantor's Number:	2003-TE-TX-0196

CRITERIA

The County did not require that employees provide periodic certifications or monthly personnel activity reports for time spent on the federal program as required by Circular A-87. Audit procedures did not identify employees improperly paid from federal funds.

CONDITION/CONTEXT

According to Office of Management and Budget (OMB) Circular A-87, an employee paid from a single federal program must submit a semi-annual certification that indicates the employee worked solely for that federal program. An employee paid from more than one federal program or a federal program and non-federal funds must submit monthly activity reports, documenting time worked in each Federal program.

EFFECT

The County did not comply with OMB Circular A-87 for the operation of its federally funded programs.

CAUSE

The County did not implement a uniform process to incorporate the documentation of time distribution into employee activity logs.

RECOMMENDATION

Employees whose salaries are split between funds, including at least one federal fund, should submit monthly activity reports. Employees paid solely from one federal fund should complete semi-annual certifications of the duties performed.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Finance Director will provide Emergency Management and other County staff with forms and instructions to properly document time spent on federally funded programs.

Contact Person: Ava Alcaida, Finance Director
Anticipated Completion Date: March 31, 2009

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concl'd)

U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number:	04-4	Questioned Cost:	N/A
Program Name:	Homeland Security Grant Program Cluster	CFDA Numbers:	97.004, 97.042, 97.053
Pass-Through Agency:	Arizona Department of Emergency and Military Affairs	Pass-Through Grantor's Number:	2003-TE-TX-0196

CRITERIA

The OMB Circular A-133 Compliance Supplement requires the County to prepare and retain financial reimbursement reports (*SF-269, Financial Status Reports*) for the program.

CONDITION/CONTEXT

The County was unable to provide the financial reimbursement reports prepared and submitted to the Arizona Department of Emergency and Military Affairs.

EFFECT

The County is not in compliance with the reporting requirement of the program.

CAUSE

The County did not take proper measures in order to retain documentation relating to fiscal year financial reimbursement reports related to the State Domestic Preparedness Equipment Support Program.

RECOMMENDATION

To ensure compliance with the OMB Circular A-133, the County should follow established policies and procedures to ensure that all financial reports submitted to grantors are properly retained and supported by appropriate accounting records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Finance Director will establish and implement procedures for Emergency Management staff to forward all submitted reports and supporting documentation related to federally funded programs to the Finance Office for review and storage. Emergency Management staff will be notified of any deficiencies in supporting documentation until they are rectified.

Contact Person: Ava Alcaida, Finance Director
Anticipated Completion Date: April 30, 2009

**LA PAZ COUNTY, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

Status of Federal Award Findings and Questioned Costs

CFDA No.: 93.283

Program Name: Centers for Disease Control and Prevention –
Investigations and Technical Assistance

Finding No.: 03-101, 03-102, 03-103

Status: Not corrected as of June 30, 2004. However, the grant period for this program ended August 2003 and no expenditures were incurred during fiscal year 2003-04. The Finance Department will implement the necessary controls to ensure compliance with all future federal public assistance programs.