



## Navajo County

### REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

#### Subject

The County is responsible for preparing financial statements, complying with federal and state laws, and maintaining strong internal controls over compliance and financial reporting. As the auditors, our job is to determine whether the County has met its responsibilities.

#### Our Conclusion

The County did not meet their responsibilities to maintain strong internal controls over financial reporting. As a result, the auditors were unable to express an opinion on Navajo County's financial statements.

## Auditors Unable to Opine on Navajo County's Financial Statements

Navajo County's management did not issue timely financial reports for fiscal years 2000-2004. Reports were submitted on average 35 months after the fiscal year ended. As of March 2007, fiscal year 2005 and 2006 financial statements have not been issued. As a result, the County is not meeting the filing deadlines required of federal programs by the Office of Management and Budget (OMB) Circular A-133 and for filing its annual expenditure limitation reports (AELR) as required under the Arizona Constitution and Arizona Revised Statutes (ARS). OMB Circular A-133 requires the County to issue its Single Audit Reporting Package within 9-months after fiscal year end and the ARS requires the AELR to be filed with the Office of the Auditor General no later than 8 months after fiscal year end.

In an effort to reverse the County's trend of increasingly late filing of its financial reports, the County's management met with members of the Auditor General's Office in September 2006, to develop a corrective action plan for its fiscal year 2004-2006 reports. The County has agreed to provide our Office with past due 2005 and 2006 financial statements and related supporting documentation in sufficient time to

enable the audits of those reports to be completed by December 2007. Currently, the County's fiscal year 2005 financial reports are 3 months past the agreed upon date with our office.

As part of that same meeting, the County acknowledged the following deficiencies concerning its financial records and its plan to correct these deficiencies.

- Navajo County has inadequate records over capital assets and its health insurance trust fund. The County anticipates correcting its capital assets and health insurance trust fund records beginning with fiscal year 2007.
- The County did not record year-end accruals by individual fund in its accounting system and supporting records. Management anticipates properly posting accruals to its accounting system beginning with fiscal year 2007.

Based on the deficiencies noted above, we were unable to determine whether the controls over financial reporting were placed in operation, consequently we issued a disclaimer of opinion on the June 30, 2004 financial reports.



# 2004

Year Ended June 30, 2004



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**FINANCIAL STATEMENT AUDIT**

Year Ended June 30, 2004