

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

Navajo County spent \$5.6 million of federal monies and additional required county-matching monies in fiscal year 2004 for 39 programs. The largest federal grants were for homeland security, job training, human services and voter education and equipment. In return, the County must be accountable for its use of both federal and state monies, maintain strong internal controls, and comply with federal program requirements. As the auditors, our job is to determine whether the County met its responsibilities.

Our Conclusion

The County did not maintain adequate internal controls over financial reporting. As a result, the auditors were unable to express an opinion on Navajo County's Schedule of Expenditures of Federal Awards. For our compliance audit of federal programs, auditors noted four material internal control weaknesses and four instances of material noncompliance for the major programs tested. See pages 1 and 2 for further information.



2004

Year Ended June 30, 2004

The County Needs to Improve Controls Over its Accounting Records

The Board of Supervisors depends on accurate information to fulfill its oversight responsibility. Additionally, the County must issue accurate and timely financial statements to ensure compliance with audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt covenants. To achieve this objective, the County must ensure that financial transactions are accurately recorded in its accounting records.

During fiscal year 2004, the County did not adjust its accounting records for

year-end accruals or prior year audit adjustments and did not always properly classify financial transactions in its accounting records. Additionally, the County did not establish adequate internal controls over its capital asset balances or its health insurance trust fund.

As a result of these deficiencies, we issued a disclaimer of opinion on the County's financial statements for the year ended June 30, 2004. In addition, we issued a disclaimer of opinion on the County's Schedule of Expenditures of Federal Awards.

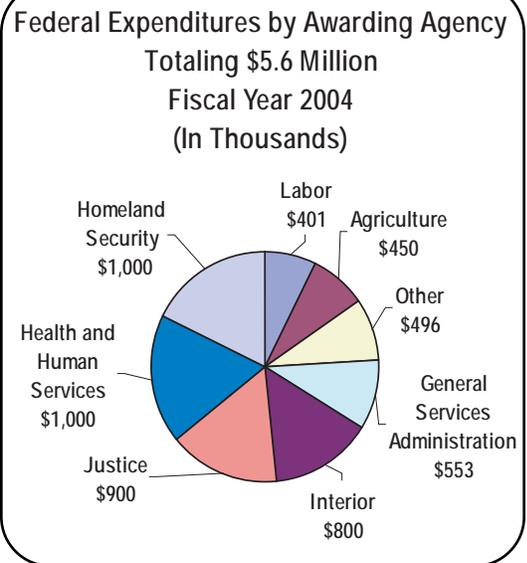
The County Spent \$5.6 Million in Federal Awards

The County spent \$5.6 million of federal monies this past year for 39 programs. The U.S. Department of Homeland Security and the U.S. Department of Health and Human Services were the two largest federal grantors with \$2 million of program expenditures.

Expenditures from U.S. Department of Homeland Security programs included approximately \$762 thousand spent for the State Domestic Preparedness Equipment Support program. This program is administered by the Sheriff's Office of Navajo County and helps provide equipment to ensure the public's safety.

Expenditures from the U.S. Department of Health and Human Services programs included approximately \$600 thousand for the Child Support Enforcement Program.

This program is designed to enforce the support obligations owed by absent parents, locate absent parents and establish paternity.



The County Did Not Always Comply with Federal Compliance Requirements

Auditors identified and tested seven federal programs under the requirements established by the Single Audit Act. The federal programs tested were the Special Supplemental Nutrition Program for Woman, Infants, and Children; Payments in Lieu of Taxes; Byrne Formula Grant Program; WIA Cluster; Election Reform Payments; Child Support Enforcement; and State Domestic Preparedness Equipment Support Program. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expending, determining eligibility, managing equipment and real property, and reporting. Auditors noted the following internal control weaknesses and instances of noncompliance:

OMB A-133 Requirements

The Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, § .320 requires that an audit be completed and the single audit reporting package be submitted within 9 months after the end of the

audit period, unless a longer period is agreed to. However, the County submitted its Single Audit Reporting Package over 2 years late.

Eligibility

The County did not retain all required data within the recipients' case files to ensure compliance with eligibility requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children. A questioned cost totaling \$2,830 was reported for this finding.

Equipment and Real Property Management

The County did not establish and maintain adequate internal controls, including management oversight, to provide auditors with a complete listing of capital assets purchased with current and prior year federal monies. As a result, the County's procedures were inadequate to comply with the equipment and real property management requirement.

The Single Audit Fact Sheet

- Five weaknesses in financial reporting internal controls were noted.
- Four material weaknesses in federal compliance internal controls were noted that resulted in material noncompliance with federal compliance requirements.
- Program costs totaling \$2,830 were questioned as a result of the audit.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling

(602) 553-0333



or by visiting our Web site at:
www.azauditor.gov

Contact person for this report:
Doug Haywood

REPORT
HIGHLIGHTS
SINGLE AUDIT

Year Ended June 30, 2004