

**REPORT  
 HIGHLIGHTS**  
 SINGLE 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 auditors, our job is to determine whether the County has met its responsibilities. The County's Single Audit Reporting Package includes our report on the County's financial statements, its schedule of expenditures of federal awards, and our reports on the County's compliance and internal control.

**Our Conclusion**

The information in the County's financial statements is fairly stated in all material respects and the financial statements can be relied upon. With the following exceptions, the County maintained adequate internal controls over financial reporting and federal compliance. Specifically, the report recommends that the Treasurer establish internal controls to safeguard cash and investments, and that the County establish internal controls over Fire Management Assistance Grant reimbursements.



2002

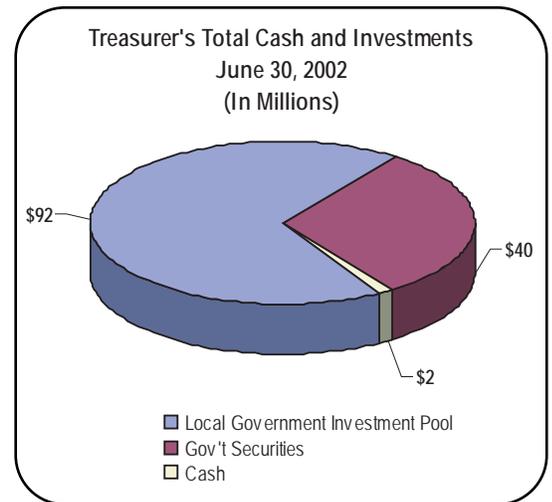
Year Ended June 30, 2002

**The County Treasurer Needs to Improve its Controls Over Cash and Investments**

The primary responsibility of the County Treasurer's Office is to manage the County's and political subdivisions' public and trust monies. As of June 30, 2002, the Treasurer's Office held almost \$134 million in these public monies. A breakout of the Treasurer's cash and investments for June 30, 2002, is presented on the table to the right.

However, the Treasurer's Office had not established an adequate control environment, or effective control procedures and had not adequately protected those monies from possible fraud, or abuse. Our report included examples of internal control deficiencies, as follows:

- One employee performed all cash and disbursement functions with no independent review of her work.
- Investments were understated by over \$288,000 on the Treasurer's records.
- Detailed ledger of investments and cash on hand were not maintained.
- Prior year audit recommendations were not implemented.



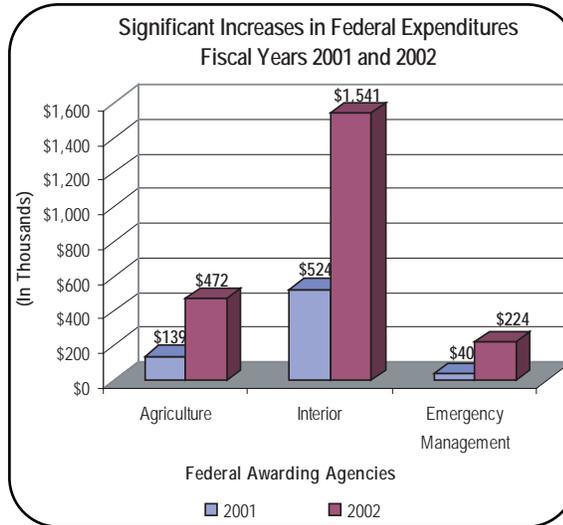
The Treasurer's Office should establish a control environment that sets the tone and structure for conducting operations and safeguarding its cash and investments. To correct these deficiencies, the County Treasurer should implement these procedures.

**Recommendations**

- Implement prior audit recommendations.
- Develop written policies and procedures.
- Clearly define and separate key responsibilities among employees.
- Review the performance of key duties for accuracy.
- Accurately prepare accounting records.
- Assess and monitor possible areas for possible risks of fraud or abuse.

## The County Experienced an Overall Increase in Federal Award Expenditures

During the year ended June 30, 2002, the County spent \$3.1 million of federal monies and additional required matching monies for 24 federal programs. Overall, federal award expenditures increased by approximately \$1.5 million over the prior year. The most significant increases occurred in the U.S. Department of Agriculture, Schools and Roads—Grants to States program; U.S. Department of Interior, Payment in Lieu of Taxes program; and Federal Emergency Management Agency, Fire Management Assistance Grant.



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.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

Contact person for this report:  
Phil Shultz

## Auditors Evaluated Compliance with Three Federal Programs

Auditors selected and tested three of the 24 federal programs under the guidelines established by the Single Audit Act. Audit tests included evaluating the County's compliance with each program's federal regulations generally relating to expending, reporting, and monitoring federal awards.

Auditors identified an internal control weakness and an instance of noncompliance over reporting for the Fire Management Assistance Grant. The County did not establish adequate internal control policies and procedures to ensure that requests for reimbursement submitted to the grantor were adequately supported by its accounting records. Consequently,

the County was reimbursed for \$13,859 greater than expenditures recorded in its accounting records. Our report identifies this condition as an internal control weakness and noncompliance with the program's reporting of unallowable costs.

### The Single Audit Fact Sheet

- One weakness in financial reporting internal controls.
- One weakness in federal compliance internal controls.
- One violation of federal compliance requirements.
- Programs costs totaling \$13,859 that were questioned as a result of our audit.

REPORT  
HIGHLIGHTS  
SINGLE AUDIT

Year Ended June 30, 2002