

La Paz County, Arizona
Single Audit Reporting Package
June 30, 2018

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
Basic 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, 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion of the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2018-004, 2018-006, 2018-007, 2018-009** and **2018-010** to be material weaknesses.

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 **2018-001, 2018-002, 2018-003,** and **2018-005** to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items **2018-002**, **2018-008** and **2018-011**.

La Paz County Response to Findings

La Paz County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smsola + Butler, CPAs, PLLC

Tempe, Arizona
April 22, 2019

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

Report on Compliance for Each Major Federal Program

We have audited La Paz County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Programs

In our opinion, La Paz County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items **2018-101** and **2018-104**. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 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 deficiencies in internal control over compliance described in the accompanying schedule of finding and questioned costs as items **2018-102** and **2018-103** to be material weaknesses.

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 **2018-101** and **2018-104** to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

La Paz County's response to findings

La Paz County's responses to the findings identified in our audit are included in its corrective action plan at the end of this report. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 22, 2019, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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 the Uniform Guidance 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.

Insole & Butler, CPAs, PLLC

Tempe, Arizona
April 22, 2019

**La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Non-Compliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Identification of major programs and type of auditor's report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
93.074	Public Health Emergency Preparedness	Unmodified
97.042	Emergency Management Performance Grants	Unmodified
97.067	Homeland Security Grant Program	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)A Yes

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511 (b)? Yes

La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II-Financial Statement Findings

2018-001- Lack of Adequate Segregation of Accounting Duties (Significant Deficiency: Repeat Finding)

Criteria or Specific Requirement: To help ensure the accuracy of financial records and to help reduce the risk of misappropriation of assets, duties should be segregated whereby the individual with custody of assets should not be the same individual responsible for the recordkeeping of those assets. The Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the State of Arizona Auditor General's office requires Counties to develop and adhere to written policies and procedures to safeguard assets.

Condition: Adequate segregation of accounting duties was not in place in the Treasurer's office, Parks Department and Sheriff's office as the personnel responsible for collecting various fees are often also responsible for reconciling, depositing, and recordkeeping of these receipts. Independent third-party reconciliations of amounts collected to amounts deposited were not performed. In addition, the Finance Director is responsible for reviewing pay changes but processes payroll in the occasional absence of the payroll clerk.

Cause and Effect: A detailed risk assessment was not performed for all County departments. As a result, policies have not been implemented to help ensure that duties are segregated, to the extent possible, that minimize control situations where individuals have the opportunity to misappropriate assets.

Auditor's Recommendation: The County should perform a formal risk assessment whereby all departments where cash handling occurs are evaluated to determine the level of risks and, based on these identified risks, implement additional policies and procedures to appropriately segregate accounting duties as necessary.

This finding is similar to prior-year finding 2017-001.

2018-002- Budgetary Control (Compliance with Laws and Regulations/ Significant Deficiency: Repeat Finding)

Criteria or Specific Requirement: Arizona Revised Statutes (A.R.S.) §42-17101 and §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.

La Paz County Arizona
Schedule of Findings and Questioned Costs
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Condition: There were several instances where budgetary line items were over-expended in fiscal year 2018.

Cause and Effect: Although budgets are monitored on an ongoing basis, procedures have not been implemented to ensure that all departments comply with budget requirements. As such, the County over-expended funds contrary to Arizona Revised Statutes.

Auditor's Recommendations: Implement policies and procedures to ensure that budget requirements are enforced at all levels of the County's departments.

This finding is similar to prior-year finding 2017-002.

2018-003- Capital Asset Inventory (Significant Deficiency: Repeat Finding)

Criteria: To help safeguard the County's assets and to help ensure accurate accounting records, physical inventories of capital assets should be performed at least every two years and reconciled to the accounting records. According to the Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-E, and the standards required for recipients of federal monies, a physical inventory of furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year should be conducted and reconciled to the capital asset list at least once every two years.

Condition: The County has not performed an inventory since fiscal year 2015 and did not reconcile the results of the inventory observation performed in fiscal year 2015 to the capital asset records and make the appropriate adjustments as a result of the observation.

Cause and Effect: Due to turnover in the department, the County did not reconcile the results of the inventory observation to the capital asset records thereby not fully complying with the UAMAC or federal regulations

Auditors' Recommendations: The County should perform a physical inventory observation at least every two years and reconcile the inventory observation to the capital asset records and investigate and adjust records, as necessary. Also, see finding **2018-101**

This finding is similar to prior-year finding 2017-003.

2018-004- Golf Course Volunteers (Material Weakness: Repeat Finding)

Criteria or Specific Requirement: The County should ensure that individuals providing services to the County without direct pay are not considered employees under the Internal Revenue Code due to other forms of remuneration. The County should also ensure that adequate records are maintained for any benefits received and used by these individuals.

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Condition: The County Golf Course relies heavily on what the County considers “volunteer” services. These individuals receive green fee vouchers that systematically accumulate based on each hour worked. As such, these green fees may be considered wages under the Internal Revenue Code. The County has not formally determined or recorded the potential payroll liability for the costs associated with these services provided. In addition, controls were not sufficient to ensure that all vouchers redeemed were subsequently reduced from the voucher tracking system. Finally, the County’s policies do not clearly state if the individuals that received green fee vouchers and have vouchers outstanding at year end (totaling 23,614 in vouchers) have any recourse to the County if these are not redeemed through the normal process.

Cause and Effect: The Golf Course utilizes the services of these individuals and provides them free green fees as a benefit for their services in an attempt to reduce overall costs. However, adequate written policies regarding recourse to the County were not provided to these individuals and the County was not aware of the potential classification of employee issues outlined in the Internal Revenue Code. As result, there may be unrecorded liabilities at the Golf Course.

Auditor’s Recommendations: The County should strengthen its procedures for tracking volunteer service hours and green fee vouchers provided and used. In addition, the County should consult legal Counsel to determine its position regarding whether these individuals are considered employees under the Internal Revenue Code and whether there is any potential recourse that the employees could demand if the vouchers are not redeemed.

This finding is similar to prior-year finding 2017-005.

2018-005- Golf Course Pro Shop Inventory (Significant Deficiency: Repeat Finding)

Criteria or Specific Requirement: Inventory held for sale should be identified and recorded in the accounting records for the golf course enterprise fund. Additionally, physical inventory counts should be performed periodically and reconciled to the accounting records.

Condition: The golf course pro shop had goods held for sale at the end of the fiscal year, but no inventory was recorded and a physical inventory was not performed.

Cause and Effect: The Golf Course does not have adequate policies and procedures to ensure that all pro shop inventory is recorded and safeguarded. The inventory and expenses could therefore be misstated in the accounting records. The lack of controls over the inventory also leaves the County more susceptible to theft or fraud.

Auditor’s Recommendations: The County should implement policies and procedures to ensure that inventories are identified and recorded. Physical inventories should be performed periodically and reconciled to the accounting records.

This finding is similar to prior-year finding 2017-006.

La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

2018-006- Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)

Criteria: To help ensure that financial reports, including audited financial statements, are accurate and prepared timely enough to meet filing requirements and provide useful information for decision making, general ledger accounts, including the County Treasurer Investment Pool, should be reconciled monthly and annual financial statements should be prepared within a reasonable period after year-end.

Condition: The County Treasurer system was not reconciled to the County's general ledger on a monthly basis, and certain other general ledger accounts were not reconciled by the County or the County's consultant until several months after fiscal year end causing significant delays in the completion of the annual required audit and expenditure limitation report and errors noted that required audit adjustments for prepaid items and receivables.

Cause and Effect: Due to employee turnover within the finance department the County did not have the necessary resources to properly reconcile and adjust account balances. As a result, the County may have not had accurate and timely financial information for decision making and its annual financial statement audit was significantly delayed.

Auditors' Recommendations: The County should evaluate its resources necessary to complete monthly reconciliations and the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Also, see finding **2018-102**.

This finding is similar to prior-year finding 2017-007.

2018-007- Monitoring of Liability Accounts (Material Weakness: Repeat Finding)

Criteria: To help ensure that financial reports, including audited financial statements, are accurate and to help ensure timely payment of liabilities, all liability accounts should be known by management and monitored for accuracy.

Condition: In fiscal year 2013 the County recorded a liability of \$114,819 relating to amounts determined to be an overpayment from the United States Treasury. The liability is still reported in the fiscal year 2018 financial statements and County personnel had not determined if this amount had been paid or if a liability was still outstanding.

Cause and Effect: The County employees previously responsible for monitoring these accounts are no longer employed by the County and procedures have not been implemented to review all liability accounts throughout the year. As a result, penalties may have accrued relating to this overpayment from the United States Treasury. In addition, the County may have not had accurate and timely financial information for decision making.

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Schedule of Findings and Questioned Costs
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Auditors' Recommendations: The County should contact the United States Treasury to determine if the \$114,819 is a valid payable and if so, determine and accrue any necessary penalties. Additionally, the County should monitor and reconcile all balance sheet accounts, including liability accounts, to ensure that amounts are researched, paid, or eliminated if necessary.

This finding is similar to prior-year finding 2017-008.

2018-008- Court Fees and Assessments (Compliance with Laws and Regulations: Repeat Finding)

Criteria: Arizona Revised Statutes §12-116.01 and §12-116.02 require that certain penalties and assessments collected by the County's courts be remitted to the County Treasurer by the end of each month and the County Treasurer is then required to remit these amounts to the Arizona State Treasurer by the fifteenth of the subsequent month.

Condition: Instead of submitting the fees by the last day of the month as required, the County's courts do not remit the fees and assessments to the County Treasurer until the subsequent month. As result, the amounts submitted to the State Treasurer by the fifteenth of each month are for fees collected by the courts two months prior, which is in violation of the Arizona Revised Statutes.

Cause and Effect: The courts were not aware of the requirement to submit the amounts to the County Treasurer by the last day of the month. As a result, fees were ultimately submitted to the State Treasurer one month late, in non-compliance with the Arizona Revised Statutes.

Auditors' Recommendations: The County should ensure that amounts are submitted to the Treasurer by the end of each month and the County Treasurer should monitor these submittals to ensure that the reports the County Treasurer generated accurately reflect the correct report period.

This finding is similar to prior-year finding 2017-009.

2018-009- Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Criteria: Policies and procedures should be established to ensure that general ledger activity for Federal and State grant and contracts is recorded in the proper County fund. The accounting for the programs should be monitored on an ongoing basis to determine the appropriate criteria for earning applicable revenue and applicable receivables, unearned revenue and County subsidies should be calculated properly based on this analysis. A thorough understanding and tracking process of all Federal and State contracts ensures a complete and accurate Schedule of Expenditures of Federal Awards as well as proper reporting to the granting agency.

La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Condition: Although amounts were recorded within separate County funds, certain programs were not recorded within the County fund originally established for the specific program and ongoing monitoring of the accounting of federal and state programs was not performed. As a result, substantial effort is required to prepare the Schedule of Expenditures of Federal Awards subsequent to fiscal year end. The County identified errors and revised the Schedule of Expenditures of Federal Awards several times during the audit process.

Cause and Effect: The County does not have a centralized process specifically established for the ongoing accounting of federal and state contracts. As a result, there is an increased risk that accounting errors may occur and increased difficulty identifying and summarizing all Federal awards for the preparation of the Schedule of Expenditures of Federal Awards.

Auditors' Recommendations: The County should establish policies and procedures to appropriately track its federal and state contracts within the general ledger on an ongoing basis. Also, see finding **2018-103**.

2018-010- Cash Monitoring and Reconciliations (Material Weakness)

Criteria: Policies and procedures should be established to ensure that cash activity relating to County departments is appropriately understood as to the availability of these resources, and that these accounts are appropriately reconciled and recorded in the County's general ledger.

Condition: The County's payroll account was not reconciled to the general ledger during fiscal year 2018 resulting in required adjustments during the audit to properly state cash. The cash on deposit at the courts and enterprises are not recorded by the County on an ongoing basis. Rather, these accounts and any unrecorded activity are adjusted subsequent to year-end during the preparation of the annual financial statements. In addition, the County determined that cash amounts on deposit at the County Treasurer that relate to the School Superintendent's office is available for operations of that department. In prior years this cash had been reported within the County's Treasurer's investment pool as an external participant and, therefore, the County reported a prior period adjustment of \$498,776 to report this balance within the County funds for fiscal year 2018.

Cause and Effect: The County has not established appropriate policies and procedures to monitor and reconcile all cash accounts on an ongoing basis.

Auditors' Recommendations: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled timely.

2018-011- Cash Deficits Financed by Restricted Proceeds (Compliance with Laws and Regulations)

Criteria: Vehicle License Tax proceeds reported in the Road Fund are required to be used solely for authorized transportation purposes and various statutes and contract agreements require that cash balances reported in the County's other special revenue funds are to be used solely for the intended purpose.

La Paz County Arizona
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Condition: The County has generated a deficit cash on deposit with the Treasurer balances totaling \$2,660,314 in the Jail District fund as well as cash deficits in various special revenue funds and general fund departments. Because there is insufficient unrestricted cash to cover these deficits,

these deficits result in an implicit loan of vehicle license tax accumulated in the Road Fund of \$1,056,463 and \$2,544,055 of loans from other restricted sources in the other special revenue funds. As a result, the County is not in compliance with State Statutes and contracts governing the use of these restricted funds.

Cause and Effect: The County does not have sufficient policies and procedures to adequately monitor cash and budget balances in various funds and departments (see finding **2018-002**). As a result, expenditures in excess of budgeted amounts and available cash in the applicable fund are paid and because the County does not have sufficient unrestricted cash, these amounts are essentially paid from restricted resources in the Road Fund and other special revenue funds.

Auditors' Recommendations: The County should develop a formal plan to reimburse the restricted amounts in the Road Fund and other special revenue funds. In addition, policies should be adopted that require any expenditure in excess of budget or available cash be approved by the Board of Supervisors.

**La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section III-Federal Award Findings and Questioned Costs

2018-101- Capital Asset Inventory (Significant deficiency, Compliance finding: Repeat Finding)

Federal program information:

Funding agencies:	Department of Health and Human Services, Department of Homeland Security
Titles	Public Health Emergency Preparedness, Homeland Security Grant Program, Emergency Management Performance Grants
CFDA numbers:	93.074, 97.067,97.042
Compliance Requirements:	Equipment and Real Property Management
<i>Questioned Costs:</i>	N/A

Criteria: To satisfy the standards required for recipients of federal funds, a physical inventory of furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year should be conducted at least every two years and reconciled to the capital asset list at least once every two years.

Condition: The County has not performed an inventory since fiscal year 2015 and did not reconcile the results of the inventory observation performed in fiscal year 2015 to the capital asset records and make the appropriate adjustments as a result of the observation.

Cause and Effect: Due to turnover in the department, the County did not reconcile the results of the inventory observation to the capital asset records. As a result, the County did not fully comply with the UAMAC or federal regulations.

Auditors' Recommendations: The County should perform a physical inventory observation at least every two years and reconcile the inventory observation to the capital asset records and investigate and adjust records, as necessary. Also, see finding **2018-003**.

This finding is similar to prior year finding 2017-101.

2018-102- Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)

Federal program information:

Funding agencies:	Department of Health and Human Services, Department of Homeland Security
Titles	Public Health Emergency Preparedness, Homeland Security Grant Program, Emergency Management Performance Grants
CFDA numbers:	93.074, 97.067,97.042
Compliance Requirements:	Allowable Costs/Cost Principles
<i>Questioned Costs:</i>	N/A

**La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Criteria: To help ensure that financial reports, including audited financial statements, are accurate and prepared timely enough to meet filing requirements and provide useful information for decision making, general ledger accounts, including the County Treasurer Investment Pool, should be reconciled monthly and annual financial statements should be prepared within a reasonable period after year-end.

Condition: The County Treasurer system was not reconciled to the County's general ledger on a monthly basis, and certain other general ledger accounts were not reconciled by the County or the County's consultant until several months after fiscal year end causing significant delays in the completion of the annual required audit and expenditure limitation report and errors noted that required audit adjustments for prepaid items and receivables.

Cause and Effect: Due to employee turnover within the finance department the County did not have the necessary resources to properly reconcile and adjust account balances. As a result, the County may have not had accurate and timely financial information for decision making and its annual financial statement audit was significantly delayed.

Auditors' Recommendations: The County should evaluate its resources necessary to complete monthly reconciliations and the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Also, see finding **2018-006**.

This finding is similar to prior-year finding 2017-103.

2018-103- Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Federal program information:

Funding agencies:	Department of Health and Human Services, Department of Homeland Security
Titles	Public Health Emergency Preparedness, Homeland Security Grant Program, Emergency Management Performance Grants
	CFDA numbers:93.074, 97.067,97.042

Compliance Requirements: Reporting

Questioned Costs: N/A

Criteria: Policies and procedures should be established to ensure that general ledger activity for Federal and State grant and contracts is recorded in the proper County fund. The accounting for the programs should be monitored on an ongoing basis to determine the appropriate criteria for earning applicable revenue and applicable receivables, unearned revenue and County subsidies should be calculated properly based on this analysis. A thorough understanding and tracking process of all Federal and State contracts ensures a complete and accurate Schedule of Expenditures of Federal Awards as well as proper reporting to the granting agency.

Condition: Although amounts were recorded within separate County funds, certain programs were not recorded within the County fund originally established for the specific program and ongoing monitoring of the accounting of federal and state programs was not performed. As a result,

**La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

substantial effort is required to prepare the Schedule of Expenditures of Federal Awards subsequent to fiscal year end. The County identified errors and revised the Schedule of Expenditures of Federal Awards several times during the audit process.

Cause and Effect: The County does not have a centralized process specifically established for the ongoing accounting of federal and state contracts. As a result, there is an increased risk that accounting errors may occur and increased difficulty identifying and summarizing all Federal awards for the preparation of the Schedule of Expenditures of Federal Awards.

Auditors' Recommendations: The County should establish policies and procedures to appropriately track its federal and state contracts within the general ledger on an ongoing basis. Also, see finding **2018-009**.

2018-104- Single Audit Submission (Significant deficiency, Compliance Finding: Repeat Finding)

Federal program information:

Funding agencies:	Department of Health and Human Services, Department of Homeland Security
Titles	Public Health Emergency Preparedness, Homeland Security Grant Program, Emergency Management Performance Grants
CFDA numbers:	93.074, 97.067,97.042
Compliance Requirements:	Reporting
Questioned Costs:	N/A

Criteria: Section 200.512 of the Uniform Guidance requires that the County submit an annual single audit reporting package and submit the data collection form prior to nine months after the end of the audit period.

Condition: The County did not submit its single audit reporting package or data collection form within the required deadline.

Cause and Effect: Due to employee turnover within the finance department the County did not have the necessary resources to properly reconcile and adjust account balances. As a result, the County is not in compliance with the requirements of the Uniform Guidance.

Auditors' Recommendations: The County should evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process.

This finding is similar to prior-year finding 2017-102.

County's Section

**La Paz County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
U.S. Department of Justice			
Passed through Arizona Criminal Justice Commission			
Crime Victim Assistance	16.575	2018-297	44,794
Crime Victim Compensation	16.576	VC 14-055	48,390
Bulletproof Vest Partnership Program	16.607	Unknown	6,796
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-18-026	26,592
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 18-008	26,823
Total U.S. Department of Justice			153,395
U.S. Department of Treasury			
Equitable Sharing	21.016	Unknown	9,554
Total U.S. Department of Treasury			9,554
U.S. Department of Transportation			
Passed through Arizona Governor's Office of Highway Safety			
		2017-405d-016, 2018-405d- 023, 2018-405d-059, 2018-A1- 014, 2018-PTS-032	
State and Community Highway Safety	20.600		81,577
Total U.S. Department of Transportation			81,577
U.S. Department of Education			
Passed through the Arizona Department of Education			
Special Education Preschool Grants	84.173	18FECCBP-813205-37A	1,546
Special Education-Grants to States	84.027	18FESCBG-813205-09A	38,880
Total Special Education Cluster (IDEA)			40,426
Total U.S. Department of Education			40,426

(continued)

La Paz County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Passed through Western Arizona Council of Governments			
Special Program for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	E86-0445604-401-0148	34,074
Passed through Arizona Department of Health Services			
Public Health Emergency Preparedness	93.074	ADHS 17-133193	172,087
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	ADHS 13-049251	11,700
Family Planning-Services	93.217		
Immunization Cooperative Agreements	93.268	ADHS 18-177682	92,908
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	ADHS 17-163347	5,432
		ADHS 13-040482 /	48,046
HIV Care Formula Grants	93.917	ADHS 18-193898	
Maternal and Child Health Services Block Grant to the States	93.994	ADHS 16-098348	55,251
Total U.S. Department of Health and Human Services			<u>419,498</u>
Executive Office of the President			
Passed through the City of Tucson			
High Intensity Drug Trafficking Areas Program	95.001	GI6SA0007A, GI7SA0007A	18,279
Total Executive Office of the President			<u>18,279</u>
U.S. Department of Homeland Security			
Passed through River City United Way			
Emergency Food and Shelter National Board Program	97.024	Unknown	1,266
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	170518-03	119,354
Emergency Management Performance Grants	97.042	EMF-2017-EP-00008-S01	93,144
Repetitive Flood Claims	97.092	HMGP 4203-11-11R	2,222
Total U.S. Department of Homeland Security			<u>215,986</u>
Total expenditures of federal awards			<u>\$ 938,715</u>

See accompanying notes to schedule.

La Paz County Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes La Paz County's federal grant activity for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 Catalog of Federal Domestic Assistance.

Note 4 - Indirect cost rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Corrective Action Plan



La Paz County Board of Supervisors

1108 S. Joshua Avenue, Parker, Arizona 85344

(928) 669-6115 TDD (928) 669-8400 Fax (928) 669-9709

D. L. Wilson	- District 1	Ron Drake	- County Administrator
Duce Minor	- District 2	Diane Green	- Clerk of the Board
Holly Irwin	- District 3		

April 22, 2019

Ms. Lindsey Perry, Auditor General
State of Arizona, Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Terry Krukemyer, Finance Director



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FY2018

Audit Findings and Corrective Action Plan

Section	Finding	Corrective Action	Responsible Party	Target Date
Financial Statements	2018-001- Lack of Adequate Segregation of Accounting Duties (Significant Deficiency: Repeat Finding)	County policy regarding handling of cash accounts shall be written and presented to the BOS for approval.	Terry Krukemyer, Ken MacFarland, Ryan Dooley	6/30/2019
	Segregation of Duties Treasurer's Office	A record keeper who does not have access to cash shall be designated by the department.	Leah Castro	5/30/2019
	Segregation of Duties Parks Department	A record keeper who does not have access to cash shall be designated by the department.	Dave Prefling	5/30/2019
	Segregation of Duties Sheriff's Office	A record keeper who does not have access to cash shall be designated by the department.	Bill Risen	5/30/2019
	Payroll review	An alternate backup payroll clerk other than Finance Director shall be designated and trained.	Terry Krukemyer	5/30/2019
	2018-002- Budgetary Control (Compliance with Laws and Regulations/ Significant Deficiency: Repeat Finding)	Departments shall be required to comply with budgetary constraints. Visions has been configured to decline budgetary overrides without Finance Director approval. A written county budget policy shall be composed and presented to the BOS for approval.	Terry Krukemyer, Ken MacFarland, Ryan Dooley	5/30/2019
	2018-003- Capital Asset Inventory (Significant Deficiency: Repeat Finding)	The county shall conduct a capital asset physical inventory.	Terry Krukemyer, Andrew Schuler	6/30/2019
	2018-004- Golf Course Volunteers (Material Weakness: Repeat Finding)	Executive discussion regarding Golf Course Volunteers to determine alternatives to voucher issuance and tax compliance; future plans.	Steve Benton, Ron Drake, Terry Krukemyer	5/30/2019
	2018-005- Golf Course Pro Shop Inventory (Significant Deficiency: Repeat Finding)	A physical inventory of the ECGC was completed on June 20, 2018. Pro Shop will be completed in June of each year moving forward.	Steve Benton	6/30/2019
	2018-006- Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)	Increase finance department staff by one FTE, trained accountant/bookkeeper to reconcile GL and Treasurer Accounts monthly.	Terry Krukemyer, Mary Frantz	5/30/2019
2018-007- Monitoring of Liability Accounts (Material Weakness: Repeat Finding)	Payroll system shall be corrected to ensure proper use of liability accounts; US Treasury (IRS) shall be contacted to resolve possible \$114,819 payable.	Terry Krukemyer, Mary Frantz, Ken MacFarland	5/30/2019	

2018-008- Court Fees and Assessments (Compliance with Laws and Regulations: Repeat Finding)	Penalties and assessments collected by the County's courts shall be remitted to the County Treasurer by the end of each month. The County Treasurer shall then remit these amounts to the Arizona State Treasurer by the fifteenth of the subsequent month.	Tiffany Dyer, Karen Slaughter, Tammy Carnevale; Leah Castro; Megan Spielman	5/30/2019
2018-009- Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)	Accounting and management of Federal and State Contracts shall be centralized; a formal grants policy shall be prepared and presented to the BOS for approval.	Terry Krukemyer, Ken MacFarland, Ryan Dooley; Ron Drake; Marion Shontz; Bill Risen	4/30/2019
2018-010- Cash Monitoring and Reconciliations (Material Weakness)	The County shall perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled timely.	Terry Krukemyer, Ken MacFarland, Ryan Dooley; Ron Drake; Tiffany Dyer, Karen Slaughter, Tammy Carnevale; Leah Castro; Jackie Price; Megan Spielman	5/30/2019
2018-011- Cash Deficits Financed by Restricted Proceeds (Compliance with Laws and Regulations)	La Paz County will develop a formal plan to reimburse restricted funds with unrestricted monies over five years; as this condition has developed over many years and the County does not have the resources to resolve the issue in the short term. Policies regarding budget and cash constraints are currently in development.	Ron Drake, Terry Krukemyer	6/30/2019

Federal Award Findings and Questioned Costs

Public Health Emergency Preparedness
Homeland Security Grant Program
Emergency Management Performance Grants

2018-101- Capital Asset Inventory (Significant deficiency, Compliance finding: Repeat Finding)	The County shall reconcile the inventory observation to the capital asset records, investigate any discrepancies and adjust records, as necessary. See 2018-003	Terry Krukemyer, Andrew Schuler	6/30/2019
2018-102- Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)	Increase finance department staff by one FTE, trained accountant/bookkeeper to reconcile GL and Treasurer Accounts monthly. See 2018-006	Terry Krukemyer, Mary Frantz	5/30/2019
2018-103- Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)	Accounting and management of Federal and State Contracts shall be centralized; a formal grants policy shall be prepared and presented to the BOS for approval. See 2018-009	Terry Krukemyer, Ken MacFarland, Ryan Dooley; Ron Drake; Marion Shontz; Bill Risen	4/30/2019
2018-104- Single Audit Submission (Significant deficiency, Compliance Finding: Repeat Finding)	The County has restructured its Finance Department to improve the timeliness of the year-end closing process.	Terry Krukemyer	6/30/2019

4/22/2019

Ron Drake, County Administrator

Date

4/22/2019

Terry Krukemyer, Finance Director

Date



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April 22, 2019

Ms. Lindsey Perry, Auditor General
State of Arizona, Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Terry Krukemyer, Finance Director



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La Paz County

Summary Schedule of Prior Audit Findings Audit Findings and Corrective Action Plan Status

Section	Finding	Finding description	Status	Corrective Action
Financial Statements	2017-001 and 2016-001	Lack of Adequate Segregation of Accounting Duties (Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see FY2018-001
	2017-002 and 2016-004	Budgetary Control (Compliance with Laws and Regulations/ Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see FY2018-002
	2017-003 and 2016-005	Capital Asset Inventory (Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see FY2018-003
	2017-004 and 2016-007	Golf Course Tournament Account (Material Weakness: Repeat Finding)	Corrected	
	2017-005 and 2016-008	Golf Course Volunteers (Material Weakness: Repeat Finding)	Not corrected	In Process, Please see FY2018-004
	2017-006 and 2016-010	Golf Course Pro Shop Inventory (Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see FY2018-005
	2017-007 and 2016-013	Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)	Not corrected	In Process, Please see FY2018-006
	2017-008	Monitoring of Liability Accounts (Material Weakness: Repeat Finding)	Not corrected	In Process, Please see FY2018-007
	2017-009	Court Fees and Assessments (Compliance with Laws and Regulations: Repeat Finding)	Not corrected	In Process, Please see FY2018-008

