

**LA PAZ COUNTY, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2007**

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SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2007**

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Issued separately

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
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, 2007, which collectively comprise La Paz County, Arizona's basic financial statements and have issued our report thereon dated April 16, 2010. Our report was modified for an emphasis of a matter for the retroactive reporting of general infrastructure assets as part of the implementation of Government Accounting Standards Board (GASB) Statement No. 34. 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 as a basis for designing our auditing procedures 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 La Paz County, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the La Paz County, Arizona's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's basic financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the entity, 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

April 16, 2010



**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, 2007. 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, 2007. 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 07-1 and 07-2.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures 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 La Paz County, Arizona's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and one that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 07-1 to be 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, 2007, and have issued our report thereon dated April 16, 2010. Our report was modified for an emphasis of a matter for the retroactive reporting of general infrastructure assets as part of the implementation of Government Accounting Standards Board (GASB) Statement No. 34. Our audit was performed for the purpose of forming our 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.

La Paz County, Arizona's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit La Paz County, Arizona's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the entity, 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

June 10, 2010, except for the
Schedule of Expenditures of Federal Awards, for which the date is April 16, 2010

LA PAZ COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Office of National Drug Control Policy</u>			
Passed through the Pima County Sheriff's Department:			
High Intensity Drug Trafficking Program	07.unknown	1-11-L-136215-1004	\$ <u>56,173</u>
<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>54,040</u>
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes			
	15.226	None	<u>1,070,982</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>59,370</u>
<u>U.S. Department of Labor</u>			
Passed through the Arizona Department of Economic Security:			
Employment Service/Wagner-Peyser Funded Activities	17.207	E5706008	39,000
WIA Cluster:			
WIA Adult Program	17.258	E5706008	45,306
WIA Youth Activities	17.259	E5706008	41,021
WIA Dislocated Workers	17.260	E5706008	<u>28,062</u>
Total WIA Cluster			<u>114,389</u>
Total U.S. Department of Labor			<u>153,389</u>
<u>U.S. Department of Transportation</u>			
Passed through the Arizona Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2005-163-013 2005-PT-007	183,491
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	<u>4,800</u>
Total U.S. Department of Transportation			<u>188,291</u>
<u>U.S. Department of Education</u>			
Passed through the Arizona Department of Education:			
Adult Education- State Grant Program	84.002	V002A010003	43,750
Improving Teacher Quality State Grants	84.367	None	<u>5,021</u>
Total U.S. Department of Education			<u>48,771</u>
<u>U.S. Election Assistance Commission</u>			
Passed through the Arizona Secretary of State:			
Help America Vote Act Requirements Payments	90.401	None	<u>10,325</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services:			
Immunization Grants	93.268	152050	44,427
Maternal and Child Health Services Block Grant to the States	93.994	761110	49,838
Bioterrorism Training and Curriculum Development Program	93.996	KR02-1179ALS	300,410
Passed through the Arizona Department of Economic Security:			
Child Support Enforcement	93.563	E7201012	<u>155,053</u>
Total U.S. Department of Health and Human Services			<u>549,728</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Arizona Department of Emergency and Military Affairs:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0196, 2004-GE-T4-0051	791,636
Homeland Security Grant Program	97.067	2006-GE-T6-0007	<u>28,000</u>
Total Homeland Security Cluster			<u>819,636</u>
Emergency Management Performance Grants	97.042	None	51,133
Community Emergency Response Teams	97.074	2006-GE-T6-0007	<u>29,576</u>
Total U.S. Department of Homeland Security			<u>900,345</u>
Total Expenditures of Federal Awards			<u>\$ 3,091,414</u>

LA PAZ COUNTY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

NOTE 1 - BASIS OF PRESENTATION

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 2007 *Catalog of Federal Domestic Assistance*.

NOTE 3 - SUBRECIPIENTS

The County did not award federal monies to subrecipients for the fiscal year ended June 30, 2007.

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

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
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X 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
- Significant deficiency(ies) 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
93.996	Bioterrorism Training and Curriculum Development Program
97.004, 97.067	Homeland Security 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, 2007**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF THE INTERIOR, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number: 07-1

Program Names: Payments in Lieu of Taxes, Bioterrorism Training and Curriculum Development Program, Homeland Security Cluster

Pass-Through Agency: Arizona Department of Health Services, Arizona Department of Emergency and Military Affairs

Questioned Costs: None

CFDA Numbers: 15.226, 93.996, 97.004, 97.067

Pass-through Grantor Numbers: KR02-1179ALS, 2003-TE-TX-0196, 2004-GE-T4-0051, 2006-GE-T6-0007

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 2006-07 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 an internal control weakness and 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: March 31, 2011

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF THE INTERIOR, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number: 07-2

Program Names: Bioterrorism Training and Curriculum Development Program, Homeland Security Cluster

Pass-Through Agency: Arizona Department of Health Services, Arizona Department of Emergency and Military Affairs

Questioned Costs: None

CFDA Numbers: 93.996, 97.004, 97.067

Pass-through Grantor Numbers: KR02-1179ALS, 2003-TE-TX-0196, 2004-GE-T4-0051, 2006-GE-T6-0007

CRITERIA

The County did not require employees to 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 has provided 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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

Status of Federal Award Findings and Questioned Costs

Finding Nos. 06-1, 05-2, and 04-2

CFDA Nos. 14.228, 15.226, 93.563, 93.996, 97.004, 97.042, 97.053

Program Names: Community Development Block Grants/State's Programs, Payments in Lieu of Taxes, Child Support Enforcement, Bioterrorism Training and Curriculum Development Program, Homeland Security Grant Program Cluster

Status: Not corrected. See current year finding 07-1.

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.

Finding Nos. 06-2, 05-3, and 04-3

CFDA Nos. 93.563, 93.996, 97.004, 97.042, 97.067, 97.053

Program Names: Child Support Enforcement, Bioterrorism Training and Curriculum Development Program, Homeland Security Grant Program Cluster, Citizen Corps

Status: Not corrected. See current year finding 07-2.

Views of Responsible Officials and Planned Corrective Actions:

As of March 31, 2009, the Finance Director has provided County staff with forms and instructions to properly document time spent on federally funded programs.