

**REPORT HIGHLIGHTS**  
SINGLE AUDIT

**Subject**

Navajo County spent \$4.4 million of federal monies and additional required county-matching monies in fiscal year 2005 for 38 programs. The largest federal grants were for general government purposes, child support enforcement, job training, 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 five material internal control weaknesses and five instances of material noncompliance for the major federal programs tested. See pages 1 and 2 for further information.



**2005**

Year Ended June 30, 2005

**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 2005, 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 or transaction of its health insurance trust fund.

As a result of these deficiencies, we issued a disclaimer of opinion on the County's financial statements and Schedule of Expenditures of Federal Awards for the year ended June 30, 2005.

**The County Spent \$4.4 Million in Federal Awards**

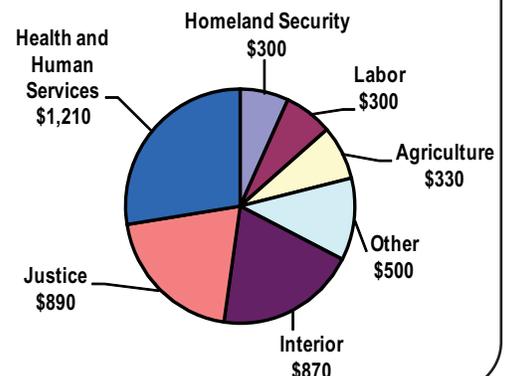
The County spent \$4.4 million of federal monies this past year for 38 programs. The U.S. Department of Health and Human Services, the U.S. Department of Justice, and the U.S. Department of Interior were three of the largest federal grantors with \$3 million of program expenditures.

Expenditures from U.S. Department of Health and Human Services programs included approximately \$638 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.

Expenditures from the U.S. Department of Justice programs included approximately \$411 thousand for the Byrne Formula Grant Program. This program is designed to improve the functioning of the criminal justice system, with emphasis on drugs, violent crime, and serious offenders.

Expenditures from the U.S. Department of Interior programs included approximately \$845 thousand for the Payment in Lieu of Taxes Program. This program is designed to compensate local taxing units for the loss of taxes from federally owned and acquired lands and is used for general government purposes.

**Federal Expenditures by Awarding Agency  
Totaling \$4.4 Million  
Fiscal Year 2005  
(In Thousands)**



# The County Did Not Always Comply with Federal Compliance Requirements

Auditors identified and tested five federal programs under the requirements established by the Single Audit Act. The federal programs tested were the Payments in Lieu of Taxes, Byrne Formula Grant Program, Workforce Investment Act (WIA) Cluster, Centers for Disease Control and Prevention—Investigations & Technical Assistance Program, and Child Support Enforcement 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, reporting, and special test and provisions. Auditors noted the following internal control weaknesses and instances of noncompliance.

## Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting

The County did not establish and maintain adequate preparation, review, and monitoring procedures to ensure compliance with the Centers for Disease Control and Prevention—Investigations and Technical Assistance Program requirements. As a result, a questioned cost totaling \$27,421 was reported for this finding.

## OMB A-133 Requirements

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

However, the County submitted its Single Audit Reporting Package over 2 years late.

## Administrative Requirements

Federal program administrative requirements, requires grantees to maintain its accounting records in a manner consistent with U.S. generally accepting accounting principles. However, the County did not record in its accounting system and supporting records the year-end accruals by individual fund. Consequently, beginning and ending fund balances, year-end accruals, and revenues and expenditures were indeterminable.

## 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.

## Special Tests and Provisions

Navajo County did not update recipients’ case files in a timely manner to ensure compliance with special tests and provisions requirements related to processing interstate cases for the Child Support Enforcement Program.

### 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](http://www.azauditor.gov)

Contact person for this report:  
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### The Single Audit Fact Sheet

- Five weaknesses in financial reporting internal controls were noted.
- Five material weaknesses in federal compliance internal controls were noted that resulted in material noncompliance with federal compliance requirements.
- Program costs totaling \$27,421 were questioned as a result of the audit.

REPORT  
HIGHLIGHTS  
SINGLE AUDIT

Year Ended June 30, 2005